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on Reconstruction,
1945

Proposals of the
Government of Canada.
August, 1945

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**DOMINION-PROVINCIAL CONFERENCE
ON RECONSTRUCTION**

**PROPOSALS
OF THE
GOVERNMENT OF CANADA**

AUGUST 1945

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**DOMINION-PROVINCIAL CONFERENCE
ON RECONSTRUCTION, 1945**

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NATIONAL PROBLEMS AND OBJECTIVES

For six years the energies of the Canadian people have been absorbed in the struggle against our enemies. With the end of the war in Europe and the approach of victory in the Pacific, we have begun to turn our efforts to new tasks. Now, while continuing the fight against Japan, we must complete the preparations which are necessary for the attainment of the aims we wish to achieve in the years of peace.

The preparations must be undertaken against the background of severe depression and the enormous dislocations of war. Under the conditions which existed for nearly a decade prior to 1939 the Canadian economy did not provide adequate opportunities for employment and enterprise; the deficiencies in the provisions for social welfare became strikingly apparent; the structure of government finance in our federal system developed basic strains and weaknesses. The war came before solutions to these problems were reached.

The difficulties of the depression were quickly submerged in the great national effort against aggression abroad. The winning of the war became a single dominant purpose to which all lesser demands and objectives were subordinated. The obstacles to united effort were removed by the willingness and patriotic desire of all groups to accept sacrifices and restrictions in order to ensure victory. The federal government was responsible for the organization of the national effort and there were no limitations upon its power to do so. These circumstances and the co-operative spirit of the provincial governments made it possible to overcome, or temporarily to set aside, the factors which have impeded the development of solutions to difficulties of the past.

The accomplishment of our aims in the post-war period must, no less than in war, be an object of national endeavour. Success in the attainment of high levels of employment, increased welfare and security, is dependent upon the fruitful co-operation between all governments and groups in the country. It is the responsibility of government to pursue policies that create conditions in which the initiative, energy and resourcefulness of individual citizens can achieve rising standards of life.

In Canada, under the federal system, the governments of the Dominion and the provinces both contribute to the formulation of such policies. The functions of each are prescribed by the constitution but these must be adapted to practical considerations that arise out of changing needs and circumstances.

The establishment of the best possible basis of Dominion-provincial co-operation is an essential part of a satisfactory reconstruction programme. The determination of this improved basis must be worked out with reference to the principal economic and social problems that will confront the Canadian people in the post-war period. The problems arising out of dislocations of the war are the most immediate and challenging.

The demonstration of the potentialities of the Canadian economy has been one of the outstanding features of the past few years. In a relatively short time national production was doubled. Nearly one-half of this greatly expanded output was devoted to war. In spite of this large effort, the general level of civilian consumption was not reduced; for the lower income groups it was significantly increased. These achievements were accompanied inevitably by far-reaching changes in virtually every phase of activity—changes which are both a measure of the new possibilities and of the problems which will prevail in the post-war period.

At the peak, the number of persons gainfully occupied and in the service of the armed forces exceeded five million. This represented an increase of nearly 1,400,000 above the number at work in 1939. After making allowance for those who will wish to retire and for the withdrawal of many married women from the labour force to maintain a high level of employment we should have opportunities for about a million more jobs in peacetime production than existed before the war. This is the magnitude of the task involved in the achievement of a high level of employment in the post-war years.

Opportunities for useful work and markets for agriculture and other primary industries are dependent upon remunerative outlets for the goods and services that are produced. At the height of the

war effort almost one-half of the Canadian people obtained their incomes from the expenditures of the federal government. As wartime government disbursements decline, opportunities and remunerative outlets must be found in the expansion of expenditures directly made by all the individuals and enterprises of the country for civilian needs and civilian purposes. The increased expenditures that replace wartime outlays will have their source in the sales made into the export market, in a rising level of consumption, in private investment for the expansion of productive facilities, and in public investment for improving the productiveness of our natural resources and the construction of useful public works. The flow of expenditures in all these categories must be substantially larger and more stable than before the war if a high level of peacetime employment is to be achieved and maintained. The creation of conditions in which adequate and balanced increases may be assured is the central task of reconstruction policy.

Our wartime accomplishments have resulted in a notable expansion of Canadian productive facilities in manufacturing, in agriculture, and in the production of raw materials. The greater part of this expanded capacity has been employed in the production of supplies shipped abroad to help meet the military requirements and the urgent civilian needs of our allies. Some of this new capacity will find peacetime outlets in the home market. In many cases, however, the expansion has been on a scale that far exceeds the possibilities of domestic consumption. The events of the war have, therefore, significantly increased the traditional dependence of the economy on foreign markets. The permanent extension of these markets is a major aim of Dominion policy.

First of all, the government will continue to press actively for wide collaboration among countries for the reduction and removal of world trade barriers. Even if this purpose is accomplished it will not meet all the problems with which we shall be confronted. In the immediate future and for some time after final victory in the Pacific indispensable customers, particularly the United Kingdom and countries on the continent of Europe, will not be able to make full cash payment for goods they will wish to buy from us. In order to alleviate the sufferings of liberated peoples, to help in the rehabilitation of devastated economies, and to establish the flow of peacetime trade upon which we are dependent, Canada should be prepared in co-operation with other countries to grant further assistance and loans. Also, Canadian

participation in the international monetary agreements are likely to involve extensions of credit. These are national responsibilities which the federal government must necessarily assume. By doing so we shall fulfill our international obligations and at the same time ensure adequate and continued opportunities for employment at home. It is essential that the federal treasury be in a position to carry these burdens.

We must look to a very considerable rise in the general level of consumption at home for the employment of manpower and resources released from war. The expansion in productive facilities, the increased skills of the population and the improvements in production methods have created a new range of possibilities. The full realization of these possibilities in advancing the standard of life of every group is the outstanding challenge to our economic system and government policy. While federal government expenditures remain high during the period of the Japanese war and demobilization, consumption may be expected to increase in the full amount to which goods and services can be made available. In fact, in this period some restrictions will continue to be necessary and the purchasing power of consumers will have to be safeguarded by continued controls against inflation. When scarcities have disappeared and the forces of inflation have subsided the real problem of maintaining an adequate level of expenditures on consumption will arise.

The achievement of a greater stability in the flow of consumption expenditures is dependent, to a significant degree, on the policies that are adopted to protect the basic incomes of the groups whose position is most precarious. The federal government has already taken substantial steps to this end. Unemployment insurance, family allowances, pensions and other assistance to war veterans, and the policy of farm floor prices are a substantial contribution to social security. These will give strong support to consumption expenditures, and consequently to employment, whenever the national income tends to fall. Important gaps, however, remain to be filled before we have achieved that measure of increased welfare and security which past experience and the possibilities of the future have shown to be desirable. How these additional provisions are to be accomplished, not merely in a few provinces, but in every province and for all Canadians, is the problem we must consider.

Expanded export markets and a rising and more stable level of consumption constitute the basic framework of conditions under which private enterprise may be relied upon to provide assured opport-

unities for employment. These circumstances will also create the basic incentives for the expansion of private industry. It is highly important that the incentives be allowed to be effective. In the past the falling off in private investment has always been a major factor in the causes of general unemployment and depressed markets. The attainment of high levels of employment and remunerative markets will largely depend, after the war, upon the realization of an adequate volume of new expenditures in industrial and commercial buildings, in equipment, in the development of better processes, and in the development of natural resources. The great deficiency in the supply of housing offers an immense field for new private investment. Large outlays are necessary for the improvement of equipment and facilities on farms. The sources of capital are ample. Where it is not readily available for desirable purposes, the federal parliament has enacted measures whereby credit may be obtained at favourable rates.

The creation of conditions under which the initiative and skill of private enterprise will result in new investment on a scale far exceeding pre-war levels is one of the principal problems of reconstruction policy. The tax policies of all governments can be a fundamental factor in the removal of undesirable and unnecessary obstacles. The elimination or reduction of taxes on costs, the removal of tax penalties upon enterprise, and the effect of taxes upon the taking of risks are basic considerations in determining a satisfactory system of Dominion-provincial financial relations.

The total amount of new investment undertaken in the economy includes the capital expenditures of governments as well as those of private industry. Government expenditures on the improvement of transportation, on the conservation and development of natural resources, and on the construction of necessary and useful public works, have played an important role in the rapid growth of the country. In the post-war period there will be ample scope for a far-sighted programme of public investment. Many desirable projects have had to be deferred during wartime. New developments and larger needs will require substantial outlays on transportation facilities. Activities which will protect and increase the productivity of the resources of the farm, forest, mines and fisheries have large constructive possibilities.

The purpose should not be to find a "cure-all" for unemployment in huge expenditures on public works. Rather, the problem is one of devising a sound and consistent programme of public improvements which will expand the productive wealth of

the community and widen the opportunities for enterprise and employment. Also we must seek to manage the expenditures on such a programme so that they do not compete with private activity but will supplement it and contribute to the stabilization of employment whenever private employment declines. Past performance has fallen short of these objectives. Effective reconstruction policy must include a new and more logical approach. This will require a better understanding of the functions and a more workable division of activities in the sphere of public investment between the Dominion, the provinces and municipalities. It will require also improved methods of Dominion-provincial co-operation and appropriate financial arrangements with respect to the broad fields and specific projects where there is both a national and provincial interest.

To achieve the large objectives we must set for export trade, domestic consumption, private and public investment will require a closely integrated effort. The general principles guiding this effort must be explicit and clear as they will form the framework within which the specific plans and arrangements must be worked out. To this end the Government briefly sets forth the basic principles underlying its proposals.

In familiar terms, our objectives are high and stable employment and income, and a greater sense of public responsibility for individual economic security and welfare. Realization of these objectives for all Canadians, as Canadians, is a cause in which we would hope for national enthusiasm and unity.

The Government has clear and definite views on how these objectives can be attained. These views may be summarized very briefly as,

first, to facilitate private enterprise to produce and provide employment;

secondly, to promote bold action by the state in those fields in which the public interest calls for public enterprise in national development;

thirdly, to provide, through public investment, productive employment for our human and physical resources when international and other conditions adversely affect employment; and

fourthly, to provide, on the basis of small regular payments against large and uncertain individual risks, for such hazards and disabilities as unemployment, sickness and old age.

Because Canada is a federal state these responsibilities are shared by the federal and provincial governments. This division of responsibilities should not be permitted to prevent any government, or governments in co-operation, from taking effective action. To devise a working co-operative arrangement to a common end, in harmony with our federal system, is the main purpose of this Conference.

It is with these considerations in mind, and in search of common ground for agreement, that the Government presents its proposals. These proposals assume a broad federal responsibility, in co-operation with provincial governments, for establishing the general conditions and framework for high employment and income policies, and for support of national minimum standards of social services. They also assume that provincial governments should be in a financial position to discharge their responsibilities adequately.

To achieve a higher standard of living and a greater degree of security for Canadians the federal government wishes to encourage private investment and employment. If private capital is to provide new investment and employment it must be afforded a reasonable opportunity to obtain an adequate return. Taxation is of major importance in connection with this, and the Government believes that its taxation proposals are essential preliminaries to any major reforms in business taxation.

In addition to changes in business taxation policy which the Dominion should be put in a position to make, there are a number of positive steps which the Government plans to take with the object of assisting in the provision of employment. The most important of these are broad policies to stabilize markets and purchasing power through export credits, floor prices, domestic public investment, and extended social services. The Dominion programme, under these heads, will necessarily involve large expenditures.

In periods of declining business activity, arising perhaps from depressions abroad, it is proposed that these expenditures will be boldly expanded. Tax rates might be reduced at the same time, but

whether this is done or not revenues will obviously fall off sharply and large deficits will result. The Government is not only prepared to accept these but will deliberately plan for them in periods of threatened depression in order to give the economy a stimulus and relieve unemployment. As a corollary the Government will also plan for substantial budgets and debt retirement in periods of high business activity. This is simply saying that the Government will budget for a cycle rather than for any one fiscal year, and that the Government will design both its spending policies and its tax policies throughout the cycle to levelling out the deflationary valleys and inflationary peaks. The great growth in government revenues and expenditures made necessary by the war makes a responsible policy of this sort an obligation, and at the same time, with our increased knowledge of fiscal techniques, makes it a practical policy in the sense that it can have a really significant effect on the business cycle. The modern governmental budget must be the balance wheel of the economy; its very size to-day is such that if it were allowed to fluctuate up and down *with* the rest of the economy instead of deliberately *counter* to the business swings it would so exaggerate booms and depressions as to be disastrous.

Another factor of general importance which we must bear in mind in considering the future roles of governments in Canada is our new international position and its obligations. Canada has earned a position in the foremost ranks of world powers and we are assuming obligations on an unprecedented scale in common with the other United Nations to restore welfare and security to the world. This is a policy which commands the universal support of the Canadian people, since it is broadly realized that no country has more to gain from the achievement of international order and prosperity or more to lose from failure than Canada. It is an essential corollary of our proudly won role that the Canadian government will fill that role adequately and honourably and that Canada as a united nation will pull its full weight in the uphill struggle before us.

II

TRANSITION MEASURES

ECONOMIC CONTROLS

The White Paper on Employment and Income sets forth the broad lines of government economic policy during the Japanese War. As the White Paper points out "During this period the Dominion Government, under its wartime powers, will have the central responsibility and authority for initiating and carrying out reconstruction policies, as well as for the continued prosecution of the war".

In the Reference Book on Economic Controls there appears a summary and discussion of some of the economic problems which it is reasonable to expect will exist throughout Canada during the Japanese war and the immediate postwar period. This Reference Book has been prepared as a factual background for the proposals by the Dominion Government for action in the transition period following the war. It covers such subjects as price and wage controls, subsidies, supply and distribution controls, rental controls, labour regulations, selective service controls, export and import regulations and rationing.

The large and complex system of economic controls established by the Dominion was intended to deal with the war emergency and to assist in the efficient prosecution of the war. The measures that have been adopted were made necessary by the extraordinary demands for labour and materials for war purposes and by the danger of disastrous inflation under wartime conditions. The nature of the great emergency made it necessary that the Governor in Council should from day to day exercise the powers conferred by Parliament.

The emergency arising out of the war will not end when actual hostilities cease, or even when a formal declaration of peace comes to be made. The extraordinary measures necessary during the war period cannot suddenly be revoked without serious dislocation of the national economy. There must be a reasonable time allowed for orderly decontrol. Rehabilitation of men in the armed services, re-conversion of war plants, relief for areas devastated by war and participation in emergency international commodity controls are all emergency requirements arising out of war and call for continuation of national controls for a temporary period. The requirements and duration of this emergency cannot

be defined in advance; they must be continuously examined and dealt with in the light of conditions as they develop. Some of the existing enactments establishing necessary controls fall either in whole or in part—under normal conditions—within the authority of the provincial legislatures as relating to Property and Civil Rights in the Province, while others fall within the enumerated powers of Parliament under s. 91 of the British North America Act as being in relation to Defence, Regulation of Trade and Commerce, Navigation and Shipping, Railways, Criminal Law, Currency, Banking, etc. The Dominion Government entered the field of provincial jurisdiction reluctantly, but was forced by its responsibilities in the war emergency. It is the Dominion Government's intention to retire from this field as quickly as its responsibilities to avoid chaotic disturbances arising from the war permit.

Dominion Government's Policies of Decontrol

In the course of retiring from the field of provincial jurisdiction it is the declared policy of the Dominion Government to remove wartime controls as speedily as decontrol can be safely undertaken. For greater particularity, it is the policy of the Dominion Government—

- (a) to remove wartime price and wage controls as soon as the danger of a war-generated inflation is past;
- (b) to discontinue as soon as possible all wartime regulations of the Dominion Government affecting the jurisdiction of provincial governments over minimum wages, hours of work and holidays with pay;
- (c) to eliminate wartime subsidies related to the stabilization policy when inflationary pressures begin to ease;
- (d) to remove wartime controls over the production and distribution of commodities and services and special wartime export and import controls as soon as supplies of materials and labour for continuing wartime requirements and for civilian production are reasonably adequate to permit civilian supply to satisfy civilian demand at reasonable prices and as soon as world shortages no longer require Canada to undertake commodity controls;

- (e) to remove rationing of civilian goods whenever supplies of rationed commodities which are made available for civilian use are sufficiently great (even though they may not be sufficient to meet civilian demands fully) to permit the elimination of rationed distribution;
- (f) to remove rental and occupancy controls as soon as available housing is reasonably adequate to meet existing housing demands without a sudden inflationary rise in rents;
- (g) to remove wartime selective service restrictions progressively as the supply of labour more nearly meets the demand;
- (h) following consultation with the provinces, management and labour, to make appropriate amendments to the Wartime Labour Relations Regulations for their continued application for as long as deemed necessary in the emergency period and further to consult with the provinces, management and labour on appropriate measures to be provided for by Dominion and provincial legislation.

Constitutional Responsibility to Enact and Continue these Controls

In an emergency such as war the authority of Parliament in respect of the legislation relating to the peace, order and good government of Canada must, in view of the necessity arising from the emergency, displace the authority of the provinces in relation to a vast field in which the provinces would otherwise have exclusive jurisdiction.¹ Lord Haldane, delivering the opinion of the Privy Council in the leading case, pointed out that questions may arise by reason of national emergency which concern nothing short of the peace, order and good government of Canada as a whole. The overriding powers enumerated in s. 91 as well as the general words at the commencement of the section may then become applicable to new and special aspects which they cover of subjects assigned otherwise exclusively to the provinces.

The Privy Council also considered the period during which this emergency power of Parliament continues. Lord Haldane pointed out that when war has broken out it may be requisite to make special provision to ensure the maintenance of law and order in a country, even when it is in no immediate danger of invasion; that steps may have to be taken to ensure supplies and to avoid shortage, and the effect

of the economic and other disturbance occasioned originally by war may thus continue for some time after it is terminated.

Action by Federal Government Necessary during Transition

Owing to the likelihood of continuing acute shortages and in order to hasten the return to normal conditions, it will be necessary during the transition period to exercise certain economic controls on a national scale.

If the national economy is to be safeguarded during the transition period while shortages continue, a situation of uncertainty and confusion must clearly not be allowed to develop. In order to prevent this it is the Dominion Government's intention to take steps which, while safeguarding the important constitutional rights of provincial governments in this field in their entirety, will permit an orderly process of decontrol and transition from the emergency conditions of war and arising out of war to peace.

VETERANS RE-ESTABLISHMENT

Uppermost in all our minds to-day is the re-establishment of our returned men and women in civilian life. That this re-establishment should be generous and prompt, is a subject on which there will be enthusiastic unanimity. The Dominion has already made provision to meet this responsibility more comprehensively than any other country in the world, but will welcome the co-operation of provincial governments in meeting the problem in which such a large sense of common obligation and common interest exists. A brief outline of the measures taken will be of interest. It is unnecessary to add that these measures will be expensive. The obvious implications of the necessary federal financial commitments for this purpose, as for other war and defence purposes, must be considered in determining the future of Dominion-provincial financial relations.

The Canadian rehabilitation programme provides the veteran with liberal cash grants during the immediate post-discharge period to assist in the transition to civilian life. It protects his right to his pre-enlistment job, and offers him the training and financial assistance necessary to re-establishment in employment, in business, in farming or in his trade or profession. And, it offers, as well, certain advantages in the nature of social security benefits for his civilian days. This section can only outline the main features of the rehabilitation programme.

¹ See *Reference as to Validity of the Chemicals Regulations*, 1943 S.C.R.1, per Duff C. J. at p. 10, summarizing the judgment of the Privy Council in the case of *Fort Frances Pulp & Power Co., Ltd. v. Manitoba Free Press Co.*, 1923 A.C. 695.

Cash Grants

Every honourably discharged veteran is paid a cash gratuity based on the length and theatre of service. The Basic War Service Gratuity amounts to \$7.50 for every completed 30-day period of qualifying service plus 25 cents for each of those days served overseas. In addition to this basic gratuity, veterans receive a Supplementary Gratuity of 7 days' pay and allowances, including dependents' allowances, for every six months' service overseas. Over and above the gratuities, veterans receive a Rehabilitation Grant of one month's pay of rank and a clothing allowance of \$100.

Thus a private who served one year in Canada and four years overseas would receive a Basic Gratuity of \$810, a Supplementary Gratuity of \$154, a Rehabilitation Grant of \$45 (plus dependents' allowance if any), and a clothing allowance of \$100—or a total of \$1,109.

Furthermore, if the discharged man does not wish to avail himself of the generous provisions that have been made for him to take vocational training or attend university, and if he does not take advantage of the opportunities available for settlement on the land, he may use a Re-establishment Credit of an amount equal to his Basic War Service Gratuity. This is an outright grant, not a loan. It may be applied for at any time within 10 years after discharge and can be used for any one or more of a number of purposes which will assist in his re-establishment—to assist in the purchase of a business, the building of a home or the purchase of furniture; for the improvement of his home; for the purchase of tools required in his trade or the instruments or equipment required in his profession; as capital for his business; or for government insurance.

Employment Aids

Veterans who left a job in industry or commerce to enlist are assured of the right to have their old job back by the Reinstatement in Civil Employment Act. The Act requires employers of persons accepted for the Services to reinstate these employees after discharge under conditions no less favorable than they would have enjoyed had they remained in their employment instead of entering the Services. This means that veterans, both men and women, are to be put back into their old employment with full seniority rights, that the period of service in the Forces is to count in determining pension rights as an employee and in arriving at other benefits.

The National Employment Service of the Unemployment Insurance Commission will be available to assist all veterans who are seeking jobs. In each local employment office there is someone to register and generally look after the ex-service personnel on their first visit to the office.

Under the rehabilitation training program, a veteran can be trained for a period of up to 12 months in any trade or occupation that will fit him to earn a living, or better living than he earned before. The allowances while training are \$60 a month for a single man, \$80 for a man and wife, with allowances for dependents.

If he wishes to go to university, he can be given as long in university as he was in the service—month for month. In addition to his living allowance, his fees are paid.

If he wishes to settle on the land, he is given by the government, an equity in his property equal to one-quarter of the cost of land and buildings plus an allowance for stock and equipment. In the case of a man who settles on a farm which cost \$6,000, including stock and equipment, his grant would be \$2,320.

If he wishes to take a small holding, similar benefits are available to him; but if he does either of these things, takes training at trade or university level, or settles on a farm or small holding, he does not receive his full Re-establishment Credit. The Re-establishment Credit is meant to help those who do not wish to avail themselves of training or land settlement.

This training program is free, with no strings attached provided the veteran needs it for his re-establishment. The farm settlement program will be confined to those who have an agricultural background, and the small holdings to those who have a regular job or occupation in the vicinity. Small holdings are similarly available to commercial fishermen.

Social Security

All those who serve are protected against unemployment for a year after leaving the service. If they are fit for work but there is no work available, they are entitled to out-of-work benefits of \$50 a month for a single man, \$70 a month for a man and wife, with allowances for dependents.

After a veteran has completed 15 weeks in insurable employment, he will be given credit under the unemployment insurance scheme for all time spent in the forces after June 30, 1941.

For war-disabled veterans who do not come under the Unemployment Insurance Act, a special placement service has been provided.

If the veteran is discharged on account of sickness or wounds resulting from his service and is still in hospital, pay of rank with dependents' allowances is continued for one year so that the income going into the home is precisely what it was while he was still in the Service. This may be continued for two years if he is entitled to pension.

Any pensioner is entitled to medical treatment with allowances for his pensionable disability for life, irrespective of his financial circumstances.

Opportunity is given under the Veterans' Insurance Act to take out up to \$10,000 life insurance, without medical examination, at reasonable premiums.

Those who go into private business, or who start in their profession, and those who go on farms, may receive maintenance grants, \$50 for a single man, \$70 for a man and wife, with allowances for dependents, while they are awaiting returns from their enterprise, in addition to any assistance they receive by means of the Re-establishment Credit.

In short, the Dominion Government's rehabilitation program provides an umbrella coverage against sickness, against accident and against unemployment. It provides an opportunity to learn a trade or a profession so that the education of those who served will not be curtailed because of lack of funds. It provides assistance in acquiring a home in town or country, in furnishing a home. It provides assistance to those who want to become established in their own business or profession. It is an attempt to try to place the men and women of the Services in the position in life in which they might have expected to be had they remained at home instead of taking up the torch of freedom on our behalf.

EMERGENCY HOUSING

One of the most pressing requirements of the returned men, and indeed for large numbers of our population, is adequate housing. The concentration of the whole economy during the past five years on the war effort, which has resulted in the deferment of new housing construction, added to the unsatisfactory situation in many respects which existed prior to the war, has produced a critical housing situation. While the Dominion Government attaches great importance to housing as part of a long-run programme of employment and public welfare, it considers it today a matter of urgent priority. Under the Canadian system

of divided jurisdiction in which fundamental matters of property and civil rights lie within the control of provincial governments, the desired objectives can be fully attained only through co-ordinated action at all levels of government.

The main instrument of Dominion housing policy is the National Housing Act, 1944. It empowers the Government to participate on a comprehensive scale in all phases of a national housing programme. In putting forward proposals in the field of housing, the Dominion will therefore seek to carry out the broad purposes of the Act.

During wartime and under wartime powers the Government has found it necessary to take various types of emergency housing action. A Crown corporation—Wartime Housing Limited—is engaged in the direct provision of rental housing. Originally houses were built for rent to workers in war factories. More recently the activities of the Corporation have been extended to meet the needs of ex-servicemen and servicemen's families in congested urban centres for low rental accommodation. To make more effective use of existing shelter and to conserve scarce materials, large homes were leased by the Government and converted into multiple family dwellings. The Government has also offered to put various types of buildings at the disposal of the municipalities for use as temporary shelter. While not part of its housing programme as such, houses are being erected on farms and small holdings on the outskirts of cities and towns for sale to veterans under the Veterans' Land Act.

These direct activities, which make an important contribution to the current supply of available accommodation, involve inter-governmental relationships and raise questions which it may be opportune to discuss at the Conference. Apart from housing provided under the Veterans' Land Act, however, these direct activities are essentially of an emergency character and it is not part of Government policy to continue them when the conditions which made them necessary no longer prevail. The objective is to put a well integrated and permanent housing programme into full operation with the least possible delay.

While this programme is encountering difficulties due mainly to the physical limitations imposed by the available supply of men and materials, substantial progress is being made. As competing war demands taper off and finally disappear and as the concerted efforts of the Government to divert men and materials to construction bear fruit, the rate of building will accelerate. It is important therefore that steps should be taken as soon as

possible to clarify the relations between the various levels of government in the housing field and to establish the conditions within the provinces and within the municipalities that are so essential to the fullest implementation of a sound national housing programme.

To this end the Dominion is putting forward suggestions for consideration at the Conference relating to community planning, building by-laws, low rental housing projects, slum clearance, and training programmes in the field of housing construction and community planning. There are, of course, many other phases of the national housing programme in which the Dominion is actively engaged but these matters appear to be of a character which does not seem to necessitate proposals by the Dominion to the provincial governments at the present time.

Community Planning

It is recommended that the provincial governments immediately review their present enactments and take the steps necessary to ensure that adequate community planning is carried out and put into effect through zoning regulations and other appropriate local ordinances. For its part the Dominion is prepared to co-operate under the terms of the National Housing Act in the establishment and development of a continuing programme of community planning by the provincial and municipal governments.

The general advantages of adequate community planning need not be elaborated at this time. It is sufficient to draw attention to the direct relationship between such planning, or the lack of it, and the cost of providing housing. To illustrate, reference may be made to the financing provisions of the National Housing Act.

In the case of houses built for owner occupancy and ordinary rental purposes, the Government participates with the approved lending institutions by supplying 25 per cent of the loan money at 3 per cent interest and gives the lending institution a partial guarantee against loss. This combination of government money and government guarantee enables lending institutions to advance a higher percentage of the value than they would otherwise be able to do, to charge lower rates of interest to the borrower and to lend for longer periods. The usual term of a loan is twenty years but this may be extended to thirty years for an individual house and to twenty-five years for a rental housing project which is built in a community that has been adequately planned and zoned. The effect of such an extension is to enable the home owner to carry

a 25 per cent greater loan without increasing his monthly payments, and to lower the monthly payments for the owner of a rental project by approximately 8 per cent.

In the case of a low rental housing project, the Government is prepared to make direct mortgage loans up to 90 per cent of the value at 3 per cent interest with payments extending over the useful lifetime of the project, subject to a 50 year limitation. The effect of this type of financing provision in respect of housing of reasonable quality is to lower the interest and principal charges by about \$10.00 per month as compared with ordinary methods of finance. Before such loans are made the Minister of Finance has to be satisfied that the area in which the project is to be situated has been adequately planned and that zoning regulations are sufficient to assure the suitability of the area throughout the term of the loan.

To encourage life insurance companies and other financial institutions to take advantage of the powers given to them by the Act to invest up to 5 per cent of their assets in Canada in low and moderate rental housing projects, the Government is prepared to guarantee a net return on their investment of $2\frac{1}{2}$ per cent per annum. When it is borne in mind that such organizations can invest money at a somewhat lower return than that which the ordinary landlord finds necessary, it is apparent that the direct operations of financial institutions in the field of rental housing will produce economic rentals comparable with those which will obtain under the other financing provisions for rental housing contained in the Act. Again there is a condition that "the project shall be constructed in accordance or in harmony with an official community plan satisfactory to the Minister (of Finance)."

The reason for the emphasis upon adequate community planning will be clear. Only if there is assurance of a continuing satisfactory environment is it possible to grant financing for high proportions of value at low interest rates over long periods of years. Under present circumstances of acute housing shortage it may be necessary to waive certain of these requirements with respect to low rental projects where provinces and municipalities have failed so far to take the necessary action or to be satisfied with somewhat less than adequate community planning. The full advantages of lower cost and longer term financing cannot be made available to the public however, until conditions are established whereby the investor in housing,

Government or private, can be assured against premature deterioration due to adverse environmental changes.

Community planning lies entirely within the sphere of provincial jurisdiction. Nevertheless the Dominion has a direct interest in promoting action and is prepared to co-operate and give assistance to that end, by putting into full effect the following provisions of the National Housing Act:

"Section 25.

For the purpose of carrying out his responsibility under this Part, the Minister may cause

- (e) information to be prepared and distributed and public lectures to be delivered to promote an understanding of the advisability of, and the principles underlying land, community and regional planning;
- (f) studies to be made of land utilization and community planning and arrangements to be made for the furnishing of information and advice with regard to the establishment of community planning agencies, and the planning of regional areas, communities and subdivisions, in co-operation with any local or other authority having jurisdiction over community planning and land subdivisions or otherwise with a view to promoting co-ordination between local community planning and the development of public services; and
- (g) generally such steps to be taken as he may deem necessary or advisable to promote construction of housing accommodation which in his opinion is sound and economical and to encourage the development of better housing and sound community planning."

In particular the Dominion is prepared to support in principle the establishment of a community planning institute for Canada, or some similar body, for the co-ordination of planning and action in this field on a continuing basis.

Training Programmes

The Dominion Government is prepared to discuss with the provinces how it may best assist in educational programmes designed to provide trained personnel in the housing and community planning fields.

Part V of the National Housing Act authorizes the Minister of Finance with the approval of the Governor in Council to

- "(e) make provision, in such manner as he deems advisable, directly or in co-operation with

any other department or agency of the Government of Canada, with the government of any province or with any university, educational institution or person, for promoting training in the construction or designing of houses, in land planning or community planning or in the management or operation of housing projects."

Building Codes and By-Laws

In order to remove unnecessary and undesirable impediments to housing construction while retaining the advantages of minimum building standards, it is recommended that the provincial governments, acting together and in collaboration with the municipalities take effective action to bring about greater uniformity in building codes and by-laws within provinces and as between provinces, and consider the adoption of a standardized building code.

The Government's policy of furthering the development of better housing and lower construction and financing costs depends to a very considerable extent upon the building codes and regulations which are applicable to housing which it finances. Because building standards in certain parts of the country are either inadequate or not properly enforced, it is necessary to provide minimum standards and specifications for Government financing, in order to guarantee that such housing shall not only be of a desirable minimum quality but shall also be of a sufficiently permanent character so that protection is afforded to longer term finance.

If the provinces and the municipalities themselves were in the position where their minimum standards of construction and materials were of a comparable character to those imposed as a condition of Government finance, not only would it be possible to facilitate the process of Government finance immeasurably but there would also be room for reasonable regional variations in standards where such are desirable.

Another phase of the problem relates to building standards which are in force in different parts of the country and which are either too severe or are antiquated and out of date. The necessity of complying with standards such as these often leaves no room for the use of alternative building materials and building methods, which might be effectively used to bring about substantial reductions in costs without lowering the quality of housing.

Accordingly, it is desirable that the provincial governments should not only take action to provide minimum standards for building but should also consider the adoption of satisfactory standards at a somewhat higher level, beyond which no local building code would be allowed to go.

Low Rental Housing Projects

In order that the housing needs of low income families may be provided for to the maximum extent it is suggested that the provincial and municipal governments give consideration to the means by which they may best assist in carrying out the provisions of the National Housing Act relating to low rental housing projects.

Apart from the contribution which may be made by sound community planning and adequate construction standards to the successful financing of low rental housing projects under the National Housing Act, it may be useful to explore at the Conference certain other aspects of the legislation with which the provinces and municipalities are directly concerned, including rent reduction funds, land acquisition and local taxes.

As already indicated the effect of Dominion participation in the financing of low rental housing projects is to produce a substantial reduction in economic rentals, thus bringing satisfactory housing within the reach of many who could not otherwise afford it. Payment of family allowances will go far to enable low income families to meet the cost of additional rooms for children. Nevertheless there will be some for whom even the reduced economic rentals are too high. To provide for such cases, a limited dividend housing corporation may accept contributions to a rent reduction fund from a provincial government, municipality, social agency, trust or person to be used only for the purpose of reducing the rentals that would otherwise have to be charged.

Land acquisition costs and local taxes are of major concern in the operation of a low rental housing project, and it is desirable that both be kept to a minimum. Each project is a separate undertaking but it would be useful to work out principles which might be of general application.

Slum Clearance

While it may not be desirable to undertake slum clearance projects during a period of acute housing shortage it is recommended that the provincial governments and municipalities proceed immediately to make plans and preparations so that such projects may be put in hand as soon as the serious shortage of materials and labour is overcome.

Under the National Housing Act, the Dominion Government may pay half the net cost involved in a slum clearance project, net cost being defined as the amount by which the cost of acquisition and clearance of the land (including cost of condemnation proceedings) exceeds the price at which the land so acquired and cleared is sold to a limited

dividend housing corporation or to a life insurance company for the erection of a low or moderate cost rental housing development.

The Conference will provide an opportunity to discuss the conditions under which a Dominion grant may be made and to clarify the respective positions of the Dominion, Provincial and municipal governments.

INDUSTRIAL RECONVERSION AND DISPOSAL OF SURPLUS WAR ASSETS

In addition to, and in some ways complementary to, veterans' re-establishment and housing, the most urgent transitional period problem is industrial re-conversion and disposal of surplus war assets. Production for war requirements has necessitated an enormous expansion in Canada's industrial capacity. Manufacturing and production facilities generally had to be converted to war use, and in addition existing plants had to be extended and new plants constructed. This expansion involved commitments on the part of the Dominion Government of some \$850 millions and included the purchase of some 100,000 machine tools by or through the Department of Munitions and Supply. As the major customer of Canadian war industry, the government has acquired title to large quantities of war goods which are now becoming surplus in increasing quantities, and which will amount at the end of the war to the largest inventory ever held by any single body in Canada.

With the termination of the European war and the approach of final victory over Japan, Canada faces the problem of turning its munitions capacity and war stores to peacetime uses. It is a problem which affects all parts of the country in varying degrees. Accordingly, the Dominion Government has set up a Department of Reconstruction to formulate plans for industrial development and conversion. A number of provincial governments have likewise created departments of reconstruction and planning. Having regard to their mutual interest, the co-operation of all governments in Canada is essential for an orderly conversion of industry to peacetime production.

Industrial Reconversion

The industrial reconversion policy of the Dominion Department of Reconstruction is to assist industry to revert to civilian production with as little dislocation as possible. Industry itself must take the initiative in the development of post-war plans, and the role of the Department will be that of providing all possible assistance to facilitate reconversion. Since the problems will vary in different

provinces, the co-operation of provincial authorities will be of value in meeting them.

While in the first instance the matters which concern the Director General of Industrial Reconversion relate directly to details of conversion of war plants, there are long-term problems which will also be his concern, and which will require contributory action. For example,

"Industries which fluctuate in activity during the course of a calendar year might be encouraged to seek a more even rate of activity if it appeared that this would offer less disturbance to both the labour and supply market; or industries which can only function on a seasonal basis might be encouraged to contribute to economic stability and efficiency by establishing as constant and secure conditions of employment as possible."

Reconversion on the part of industry involves the quick settlement of war contracts and the clearing of plants. Machinery has been set up for the final renegotiation of war contracts and termination of war orders. Arrangements have also been developed whereby civilian production may be resumed by clearing from plants the government-owned equipment or materials which are not required for such production. These steps were required to meet the first problems of reconversion.

Depreciation Allowances

A Depreciation Committee has been set up in the Department of Reconstruction to advise the Minister on the granting of certificates for special depreciation allowances on new capital expenditures on plant and equipment, as provided in the Dominion Budget of 1944, to assist the financial position of industry in the reconversion period. The policy is to certify applications as rapidly as adequate supplies of labour and materials become available for projects in the various localities, with a view to stimulating industrial conversion and expansion. The rates of depreciation to be granted are within the jurisdiction of the Minister of National Revenue.

Disposal of Surplus War Assets

Power to deal with surplus war assets is exercised by the Minister of Reconstruction through the Crown Assets Allocation Committee, the Director General of War Surplus, and War Assets Corporation.

The Crown Assets Allocation Committee, consisting of senior officers of the Dominion Government and representatives of labour, agriculture and the

householders of Canada, recommends surplus disposal policy, and the general rule is to give priority to the requirements of a federal department or agency, a provincial government department, and a municipal body or public organization, in the order stated. In this way surpluses of equipment and other goods required by departments or agencies of provincial governments will be allocated to them on the basis of their high priority.

War Assets Corporation is the sole disposal agency for Crown-owned surplus. The assets may be disposed of in whole or in part, and some may be reserved or set aside. For example, a "multiple tenancy" scheme has been developed under which the government intends to utilize part of its property to make accommodation available for commercial enterprises, particularly in congested areas. The operating policy of War Assets Corporation has been outlined as follows:

1. Today, when goods are scarce, to sell all saleable surpluses at existing market prices, but within ceilings set by the Wartime Prices and Trade Board.
2. Later, when the war ends, and surpluses become so great that they might constitute a danger to the transfer of industry from war to peacetime production and to the rapid employment of labour, to control the flow of such surpluses so that they will create the least possible disturbance to the normal economy of the nation.
3. At all times, to make every effort to control the price to the public, and to reach the public by the shortest possible route.
4. To keep out of unfair competition with established business.
5. To seek expert advice from industry on price levels and marketing methods, but not to act on such advice at the expense of public interest.
6. To distribute sales uniformly across Canada.
7. To sell abroad, in harmony with other governments who are faced with the same problem, everything that becomes available abroad and that can be sold there.
8. To keep out the speculator.
9. To recover for the taxpayers of the nation and the original investors in these goods, the largest cash return upon their investments possible without interfering with the eight points previously mentioned.

The Director General of War Surplus is authorized to enter into negotiations with industry to dispose of Crown-owned plants and production equipment, and in such negotiations consideration is given to the following points:

Will the proposed use of the property and equipment

- (i) increase the possibility of employment?
- (ii) provide for the manufacture in Canada of a new product, previously imported?
- (iii) substantially improve working conditions, as compared to existing operations?
- (iv) provide facilities which will permit of more economic operations, as compared to existing operations?
- (v) provide desirable manufacturing facilities to meet anticipated increases in the domestic or export markets?
- (vi) provide a desirable redistribution of industry and employment?

In the disposal of government-owned plant, machine-tools, equipment, and other materials, the policy is to give special attention to the needs of small industries and to the desirability of establishing industries in smaller towns and cities and in areas in which there was little industrialization before the war. Since these are matters of vital concern to particular regions and localities, the co-operation of provincial governments in giving effect to these policies is highly desirable.

The Department of Reconstruction has established Regional Reconstruction Councils in each province, representative of the different economic interests therein. The co-operation of the provincial governments in the task of reconstruction can be effected through the establishment of close relationship with these Councils, as well as through the regular contacts between the Dominion and provincial governments. The Councils also afford machinery for co-operation with municipalities and other bodies.

AGRICULTURE

No industry has made a greater contribution to the Canadian war effort than agriculture. This achievement has left problems of conversion to peacetime conditions comparable to those of manufacturing industry. Many branches of agriculture were greatly expanded in response to war needs and overall production increased to levels far exceeding those of the past. This accomplishment drew heavily upon agricultural resources, resulting in heavy depreciation of machinery and equipment and great strain on the depleted farm population.

The Dominion Government feels it has a responsibility to assist the industry in making the necessary readjustments to peacetime circumstances and to work in co-operation with the provincial governments to provide for a greater degree of stability in farm income and a greater measure of security than has prevailed in the past.

In its policies the Dominion Government will seek to prevent the violent fluctuations in the farm price level which have occurred from time to time in the past with unfortunate results. Family Allowance payments, the Dominion's share of Old Age Pension payments and the proposed Health Insurance plan have the effect of providing a measure of social security for the farmer as well as for the urban worker. With these may be coupled the Prairie Farm Assistance payments, designed to maintain farmers in widespread areas of crop damage. Over and above assistance of this type, the Dominion has several policies specifically directed to the maintenance of farm income. There is the provision of Export Credits, designed to encourage trade and maintain the flow of farm and other products into export markets. It is further expected that the domestic market for farm products will be stimulated through payment of Family Allowances, and through the increasing attention which is being paid to human nutrition by the Dominion Government and by other agencies, governmental and private. While the maintenance of farm income will rest ultimately on the policy of continued exports and high employment at home, Agricultural Prices Support legislation has been passed which provides for a revolving fund from which expenditures will be made for the maintenance of floor prices through direct purchase or guaranteed returns. Because of the current high level of employment in Canada and the two years' contracts for the sale of certain basic agricultural commodities to Great Britain, the immediate outlook in respect to farm prices is encouraging.

Expansion of Services

Directly to promote the productive efficiency of agriculture and to improve the opportunities and living standards of the farming population it is the plan of the Dominion to expand the existing developmental and protective services and to undertake desirable new services with the following general objectives in view:

- (1) to achieve the best and most efficient use of agricultural resources in relation to the potentialities of available markets at home and abroad;

- (2) to improve methods of agricultural production;
- (3) to raise the quality of agricultural products;
- (4) to protect agricultural resources against erosion and to control the ravages of insects and disease.

The accomplishment of these purposes will require an extended program of research, conservation, and protective measures against plagues of all kinds. The agricultural services of the Dominion and provincial governments are, in varying degree, both engaged in these fields. The Dominion is anxious to work out the best possible basis of co-operation with the provincial governments in order to eliminate unnecessary duplication and to achieve a co-ordinated increase in activities where expansion is desirable.

Marketing

In the field of agricultural marketing, there are two matters that merit special consideration; one has to do with the regulation of the movement and sale, the other with the grading and inspection, of products. With respect to the first, it has been noted that some of the provincial governments have provided legislation under which various marketing plans and activities are developed. It would appear that this is evidence of an interest that should be considered at this conference insofar as Dominion-provincial relationships in the marketing field are concerned.

The second aspect of the matter, namely that relating to grading and inspection, is one that has concerned the Dominion and provincial governments for a great many years. By various means, the regulations with respect to grading, inspection, packaging and labelling of products have been enforced to the advantage of producer and consumer alike. From time to time, however, the procedure followed has been interrupted by decisions of the courts which have indicated that either the Dominion or the provincial governments had exceeded their respective powers. It is apparent that the Dominion and the provincial governments are agreed as to the need for some action which will clarify the control and direction of activities in this field. Under these circumstances, it would appear that the Conference should give some consideration to this matter with a view to achieving the desired control.

Conservation Programme

The Dominion is prepared, on the basis of provincial co-operation and participation, to take a more active part in the development and conserva-

tion of agricultural resources. Through the work of the Experimental Farms Service and the Prairie Farm Rehabilitation organization, the Dominion has made outstanding contributions in this field.

It is proposed that the Dominion and provincial governments work out appropriate arrangements for the extension of agricultural conservation and development activities across the Dominion. This would include, in the first place, an extension of the economic surveys and soil surveys, which have already proved their usefulness, and the study of soil erosion from water comparable to that of erosion from drought and wind on the prairies. It would include projects for the conservation of water and for land drainage, and the inauguration of demonstrational work on such problems as soil erosion control and weed eradication. In addition, special projects such as dykeland rehabilitation and muckland development are contemplated as a part of this programme. Throughout this conservation and development programme, the fundamental principle of assisting farmers to solve their own problems should be observed, governments standing ready to provide such advisory services (agronomic, engineering, etc.) as are not available to the average farmer, and to aid in the organization of community efforts.

WAGE CONTROL AND COLLECTIVE BARGAINING

Wage Control

The struggle against inflation will continue as a major transitional period problem. The vital interest of Labour in the success of this struggle becomes daily more obvious. The responsibility of the Government, too, is clear. It would be a gross breach of faith if, after Labour loyally accepted the restrictions on wage increases when demand was high, and subscribed in unprecedented volume to successive victory loans, prices were allowed to skyrocket and no adequate effort was made to maintain employment. It is not less the case that during the transition period wage control must continue as an essential part of the general anti-inflation policy.

As soon as conditions warrant, and after consultation with those directly interested, further steps for relaxation of wage controls will be taken.

It is also anticipated that without endangering the general stability of wage rates, conditions will soon warrant the restoration to the provincial governments of the normal functioning of provincial minimum wage machinery under provincial minimum wage legislation.

Much has been said, at various times, about the desirability of uniformity throughout Canada of

minimum wage standards, occupational coverage, maximum hours of work and minimum age of employment, consistent with justifiable local or regional variations in cost of living standards. The Dominion Government is most willing to discuss any proposals which might be made in these fields.

Collective Bargaining and Conciliation

Position prior to the Wartime Labour Relations Regulations

The Industrial Disputes Investigation Act, 1907, was re-enacted in 1925 to bring it in line with the Privy Council decision in the Toronto Electric Commissioners' case. It was declared to apply to disputes in navigation or shipping, railways, steamships, canals, telegraphs and other works extending beyond the bounds of any province; to any works in the industries within its scope which are owned or carried on by aliens, owned by companies incorporated by the Dominion, or which are declared to be for the general advantage of Canada; to disputes declared by the Dominion Government to cause a national emergency; and finally to disputes which are within the jurisdiction of any province if by legislation of the province, they are made subject to the Act. This definition was restricted in turn by limiting the application of the Act to mines, transport, communication, water works, gas and electric power industries.

The amended Act was thus drafted in the view that disputes in connection with such local works and undertakings as are excepted by the B.N.A. Act from the undertakings subject to the provincial power, are within the federal field, and in the view that because the Dominion Parliament has power over foreign corporations and companies incorporated under Dominion law, it has power over the labour disputes involving these corporations. This view is not free of legal doubt.

The application of the Act was extended under the War Measures Act to war industries.

In several provinces the Industrial Disputes Investigation Act was made applicable by provincial enabling legislation to industries ordinarily within provincial jurisdiction. Some of these provinces also had legislation of their own similar in nature to the Industrial Disputes Investigation Act.

Present Position

The I.D.I. Act is suspended while the Wartime Labour Relations Regulations, P.C. 1003, of February 17, 1944, are in force.

The Wartime Labour Relations Regulations apply to:

- (a) same undertakings as the I.D.I. Act applied to;
- (b) specified industries declared to be war industries;
- (c) industries within provincial jurisdiction which by provincial legislation are made subject to the regulations. All provinces except Quebec, Saskatchewan, Alberta and Prince Edward Island have passed enabling legislation applying Dominion regulations to industries within their own jurisdiction.

The Regulations include in particular:

- (i) collective bargaining provisions;
- (ii) provisions for the use of conciliation officers and conciliation tribunals as a means of assisting in negotiation of collective agreements;
- (iii) a definition and prohibition of unfair labour practices by employers and employees.

Position in the Transition Period

The wage control orders have taken wage rates and working conditions directly or indirectly affecting wage rates out of the field of collective bargaining during the last four years of the war.

In the relaxation of wage control in a step by step process, matters relating to wage rates and working conditions will in increasing degree be returned for settlement between employers and employees by collective bargaining. This will throw a heavier load on the conciliation services and collective bargaining administration of the Dominion and the provincial governments.

It is therefore important that in view of the necessity of having sufficient time in which to provide for enactment of suitable Dominion and provincial post-war legislation in substitution for the wartime regulations, the limited pre-war area of Dominion jurisdiction in this field, and the uncertainties as to the exact extent of such jurisdiction that the Dominion should retain its emergency powers over industrial disputes and conciliation into the transition period. The Dominion should be able to revise the existing wartime regulations in the interim, as necessary or advisable in the light of its experience gained and to meet changing conditions in this transition period. Undoubtedly as the result of wartime experience, both Dominion and provincial post-war legislation will differ consider-

ably from the legislation in effect prior to February, 1944, when the Wartime Labour Relations Regulations came into effect.

Labour Management Production Committees

Independent of collective bargaining machinery but filling an important role in labour-management relations are Joint Labour Management Production Committees. Introduced in wartime to examine and consider means to improve and increase production, they have met with success sufficient to warrant their continued existence and further development in the years to come.

These Committees are composed of persons directly engaged in production in the plants or units they represent. Labour representatives are democratically chosen and their numbers at least equal those of management.

Labour Management Production Committees are set up to examine carefully all recommendations of representatives of labour and management. The Committee's function is to advise and consult on problems of production. Grievances and problems relating to wages and working conditions must be left to the appropriate collective bargaining procedure. Labour should receive adequate explanations when their proposals are not accepted; they should co-operate in making effective recommendations which are adopted.

Joint Production Committees have come to be accepted as permanent democratic institutions in the United Kingdom and the United States. In

Canada, the federal government intends to continue its active sponsorship of these Committees and invites the provincial governments to co-operate in such sponsorship.

Powers of Delegation

Legal doubt exists as to the authority of a provincial government to delegate any part of its jurisdiction to the Dominion, or vice versa.

The Sirois Commission suggested that provincial governments could not under the B.N.A. Act delegate jurisdiction to the Dominion over any category of industrial disputes within provincial jurisdiction.

It is not possible to forecast at this time the exact pattern that will be followed in post-war legislation covering industrial disputes. However, in event that some provincial governments will want to transfer jurisdiction over some types of industrial relations activities to the Dominion or to have Dominion legislation apply thereto, it would appear highly desirable, in the national interest in the case of some types of industries that the transfer of such jurisdiction be made possible through an amendment to the B.N.A. Act.

It is suggested that an amendment of this nature would be non-controversial and, if framed in general terms, would have useful application to many other matters of joint Dominion-provincial character. The amendment could be framed to confirm in like manner the Dominion authority to delegate powers to a provincial government. The Conference might appropriately consider the necessity and advisability of this suggestion.

III

DOMINION PROPOSALS

PUBLIC INVESTMENT POLICY

Introduction

A large part of the foundation of an economy of high employment and welfare must be new investment. The Reference Book on Public Investment contains a substantial amount of material indicating the importance of investment in Canada in the past. In periods of expansion and high economic activity there has been a very large volume of new investment as well as maintenance and repair work, and in periods of stagnation and depression a negligible amount. During the war period savings and investment have reached unprecedented peaks. To a very important extent it is by influencing the course of this dynamic force in the future that the Government plans to achieve its employment and welfare objectives.

The general approach has already been outlined. It may be briefly recapitulated as

- (1) by such methods as taxation reform and maintenance of income to encourage private investment, and
- (2) by preparing in advance to develop the nation's resources, add to its capital equipment, and raise its conditions of living to provide employment to the extent possible when private employment is slack.

It is equally important to note some of the limitations which apply to the Government's public investment policy. One is that public investment cannot in itself solve the post-war employment problem. It can only be a part of a broader and integrated program. Another is that public investment must not be of a nature competing with and replacing private investment, or it will simply defeat its own ends. A third and very practical point is that the investment, if it is to be effective, must be in useful things and efficiently carried out. The extravagant expenditure of money on leaf-raking and wasteful construction, the haphazard choice of improvised projects, the absence of basic principles and design, and of competent economic analysis and engineering plans leads to disaster. Too

much emphasis cannot be laid on the necessity of establishing our principles clearly and preparing our plans adequately in advance.

The Government, in its statement of policy in the White Paper on Employment and Income, undertook "to institute a system of managing its capital expenditures so that they may contribute to the maximum to the improvement and stabilization of employment and income." The steps it intends to take to regulate the timing of its own expenditures to this end, and the measures it proposes to secure co-ordination of provincial and municipal timing of expenditures are developed subsequently. The guiding criterion here is to compensate for fluctuations in private investment and employment.

In addition to providing employment when desirable public investment has a major role to play in the conservation and development of mineral, forestry, agricultural and fishery resources, the improvement of transportation facilities, and the construction of public buildings and equipment required for general government services or particular government welfare programs. Expenditures in these fields ought to be directed to the permanent expansion of the productive wealth of the country and to the widening of opportunities so as to create a dependable basis upon which individual initiative can be relied upon to provide rising levels of employment and income. In Canada, the possibilities are great.

Six years of war have drawn heavily upon our natural resources. The exploration and investigation of the economic potentialities of our resources are still in their early stages. Large capital expenditures are necessary to reap the economic benefits of new developments and methods in the field of transportation. Considerable outlays will have to be undertaken, purely as a matter of wise economy, to make up for the many normal projects and desirable maintenance expenditures that have been deferred in wartime. During the period of post-war reconstruction there is therefore a wide scope for sound and practical policies of public investment; policies which will create favourable conditions

within which the resourcefulness, experience and initiative of the individual can contribute to the secure expansion of business and employment.

Dominion-Provincial Relations

The public investment program as a whole consists of the activities and projects undertaken by all governments—Dominion, provincial and municipal. The development of an effective and coherent programme is dependent upon the achievement of an appropriate division of responsibilities, or workable methods of co-operation, between the Dominion and the provinces (including their municipalities). In the past the lines of demarcation were never satisfactorily defined; the division of activity in many fields has been based on improvised and expedient arrangements which have fallen short of what the general public interest would require. The expanded public investment program necessary to accomplish the aims of the post-war period must be built upon a more logical basis of Dominion-provincial co-operation.

The Dominion has responsibility for developmental, conservation and other public works in the Yukon, Northwest Territories, Indian reserves, National Parks and other Dominion-owned lands. The administration and control of natural resources within provincial boundaries are, under the constitution, the responsibility of the provincial governments. However, regardless of this exclusive provincial responsibility the Dominion has in the past undertaken certain investigative, developmental and protective activities with respect to provincial resources.

The constitution does not specify the appropriate division of activities between the Dominion and the provincial governments in a wide field of work essential to the efficient conservation and utilization of natural resources. With respect to administration no question arises, but in connection with the group of activities which may be broadly defined as explorative, descriptive, and investigative, uncertainty exists as to the limits of the fields which each government should occupy. The division of work existing at present has developed gradually on the basis of tacit consent.

In practice, some projects, such as the Hydrographic and Geodetic surveys and the Dominion Observatories, have been recognized as exclusively Dominion functions but the number of such examples is small. In many other fields both the provincial and the Dominion governments are concurrently carrying on similar activities; for example,

although the preparation of the geological map of Canada is recognized as a proper function of the Dominion, a considerable amount of geological work is performed by the different provincial governments, such work varying in kind and intensity from province to province. The situation is still further complicated, in this instance, by the existence of statutory obligations placing responsibility on the Dominion for geological surveys in three provinces while no corresponding obligation exists with respect to the other six. Similarly, the amount and kind of topographical mapping performed by provincial authorities varies greatly from province to province.

The basic reason for any provincial government undertaking work in a field where the Dominion was already operating has been the pressing need for obtaining information more quickly than the Dominion could provide it. Nevertheless, the procedure followed inevitably means that the provincial governments may perform work in certain areas of a kind which is likely to be repeated when those areas are reached in the progress of the Dominion program.

Ever since Confederation certain activities necessary to the development of natural resources have been administered and financed entirely by the Dominion. In more recent years some work has been carried on in the form of projects jointly financed and administered by the Dominion and a provincial government or several provincial governments. In addition, the Dominion has sometimes extended financial assistance to projects which have been undertaken by provincial governments, some such projects being of an investigative nature while others were concerned primarily with administrative functions. No clearly defined principles governing the assumption by the Dominion of direct responsibilities or Dominion assistance to provincial undertakings have thus far been enunciated and, in consequence, a good many *ad hoc* and expedient decisions have been necessary.

There are phases of natural resource development and conservation which can be carried out effectively only on a national scale by the Dominion Government. Also there are important aspects of development and conservation which are of large concern to the general national welfare, or have interprovincial effects, which only the Dominion can assume. In view of these circumstances on the one hand, and the constitutional responsibility of the provincial governments on the other, there is a great need for a clearer definition and understanding of the functions proper to the Dominion and provincial governments.

The Dominion's proposals for an expanded programme of conservation and development of agricultural resources have already been outlined. The British North America Act provides for concurrent Dominion-provincial jurisdiction in agriculture. Both the Dominion and the provincial governments have in the past undertaken a wide range of activities for the protection and improvement of agricultural resources. The great scope for extended activity in the future will provide ample room for useful work by all governments. The limited possibilities for further large scale settlement of new lands, the pressure of the wartime demands upon soil fertility, the growing problems of soil erosion, and the ever present menace of plague and disease call for a more intensive and carefully planned approach. Here, as in the case of other natural resources, a clearer definition and understanding of the functions appropriate to the Dominion and the provincial governments is needed to avoid inefficiency and duplication. This, together with the establishment of workable principles of co-operation on a wider plane, are essential to the attainment of a coherent programme of expanded activity.

In the field of transportation the Dominion has in the past generally assumed full responsibility for national transportation facilities (inter-provincial railways, canals, national harbours, navigable rivers) specifically assigned to it by the constitution. The more recent forms of transportation, namely motor highways and air transport facilities, have some time ago developed to the stage where in certain respects they raise matters of broad national concern. Here the nature and extent of Dominion activity and assistance has grown up piece-meal and has varied from time to time and place to place. In the reconstruction program it is desirable that the Dominion's role regarding matters of national interest in national highways and airports be clarified, and that a definite and practicable basis of Dominion-provincial co-operation be established.

The possibilities of co-ordinating Dominion, provincial and municipal expenditures and interests in the whole field of rail, road, air and water transportation is a problem which is not only large in magnitude but extraordinarily complex, and will require the most thorough consideration. The best form this consideration might take would appear to be an appropriate subject for study by one of the continuing committees of this Conference.

Dominion Proposals for Co-ordinating Dominion and Provincial Activities

The Government has considered these questions of Dominion-provincial relations in the field of public investment and has drawn up general principles, which it suggests as appropriate to govern the division of responsibilities and the co-ordination of activities, in an expanded post-war program. It is proposed that the lines of division should, as far as possible, be drawn so that there is a minimum of interference with the administrative functions and constitutional powers of the respective governments. In cases where Dominion assistance to provincial governments or joint arrangements are desirable, it is proposed that the participation of the respective governments should take the form, wherever feasible, of full financial and administrative responsibility for specified phases or parts of joint undertakings, worked out by agreement. This procedure should avoid many of the administrative difficulties, wastes, and frictions that sometimes arise under the usual grant-in-aid schemes.

The application of these principles is discussed under the following headings:

- (a) activities for which the Dominion is fully responsible or is prepared to consider assuming full responsibility by suitable arrangements with the provincial governments wherever necessary;
- (b) activities for which the provincial governments are responsible and which the Dominion is prepared to consider assisting provided specific agreements can be reached.

(a) Activities for which the Dominion is fully responsible or is prepared to consider assuming full responsibility by suitable arrangements with the provincial governments wherever necessary.

1. Legal obligations under the constitution; works required to fulfill international obligations and international agreements; all development, conservation and public works projects in the Yukon, Northwest Territories, Indian Reserves, and other Dominion-owned lands.

2. Basic surveys, mapping, inventories, topographical and descriptive work on a national scale essential for the conservation, development, and management of natural resources; (The Dominion would provide to

designated levels of intensity basic information for all parts of Canada. The provincial governments, using the Dominion's information as a foundation or starting point, could concentrate their available facilities on securing more detailed data when, where and how their administrative problems and interests might direct.)

- (i) surveys to designated levels of intensity, including geological, geodetic, topographical, hydrographic, ground water, soil classification, soil erosion, land drainage and flooding, water conservation, vegetation, biological (fish) and forest insect surveys;
- (ii) mapping, charting and air photography to designated levels of intensity, including charting of inland and coastal waters and general geographical service;
- (iii) national inventories to designated levels of intensity including national forest inventory and compilation of national mineral reserves;
- (iv) general exploration.

3. General and basic research on resource development, conservation and protection problems and methods; research requiring large diversified staff and highly specialized technical personnel; research on a national scale to avoid the duplication of individual provincial efforts on similar problems; general research on methods of protection of resources against plague and disease; general research on the economic utilization and extraction of resources;

- (i) agriculture, including research on soils, agricultural engineering, fruit and vegetable processing, animal health, plant life protection and forest insects;
- (ii) mineral and forest resources, including research on ore dressing, metallurgy, fuels, special problems of mineral extraction and silviculture and utilization of forest products;
- (iii) fisheries, including research on fish biology, utilization of fish products and transportation and distribution of fish;
- (iv) construction, including research on building methods, building materials, road materials and public building design.

4. Development and conservation of resources which are inter-provincial in nature or have important inter-provincial or regional effects;

- (i) protection of regional watersheds; e.g., East slope of Rocky Mountains;
- (ii) integrated development of inter-provincial river valley systems;
- (iii) protection of migratory wild life;
- (iv) agriculture; e.g., control of plant diseases.

5. Demonstration projects on special problems of development, conservation and protection of resources;

- (i) agriculture; e.g., soil erosion control and weed control;
- (ii) forestry; e.g., projects in forest management;
- (iii) fisheries; e.g., processing and distribution.

6. Provision of national transportation and communication facilities.

In the field of transportation and communication the Dominion will continue to carry out its established responsibility in respect of interprovincial railways, canals and dredging, national harbours, docks and wharves and the development of navigable and international streams.

In addition the Dominion Government is prepared to assume responsibility for the programme of airports and related air navigation facilities required to provide all the airports and facilities necessary for international services and main line services within Canada.

7. General and basic census surveys in fields touching on resource development and public investment to provide comparable information for all parts of Canada;

- (i) facilities and conditions in the primary industries;
- (ii) supply and condition of housing, community planning information, regional planning information.

(b) Activities for which the provincial governments are responsible and which the Dominion is prepared to consider assisting provided specific agreements can be reached.

1. Assistance to raise provincial standards in the general national interest in respect to the conservation, protection and development of provincial natural resources;

- (i) agriculture — extension of conservation activities to all provinces e.g., water conservation, land drainage, marsh land rehabilitation, land clearing, soil erosion control;
- (ii) protection and management of forests, including fire protection in remote areas, protection against insects and disease, and silvicultural practices; and fur conservation. Particularly the Dominion is prepared to take an immediate and active part in organizing effective joint control measures against forest insect depredations.

2. Assistance to provide new access roads to undeveloped mining and forest resources.

3. Assistance for the construction of transportation facilities of national importance;

- (i) trans-Canada highway, international connections, approaches to national parks;
- (ii) railway grade crossings;
- (iii) airports related to natural resource development.

4. Assistance to promote particular national programmes;

- (i) facilities for technical education and specialized training;
- (ii) assistance to promote rapid increase in hospital facilities required for inauguration of health insurance, as outlined in the section on the National Health programme.

The promotion of the tourist industry has been kept in mind in the formulation of all the proposals. While primarily a matter of provincial responsibility, the federal government will continue and expand its measures to encourage this important industry.

In the fishing industry there is need for improving the catching, processing and distributing equipment. The Dominion is considering methods by which credit can be provided for these purposes.

Timing of Public Investment

Public investment provides useful assets which add to the future productiveness and employment possibilities of the economy. Execution of the projects at appropriate times may also play an important role in the general programme designed to stabilize employment and income at a high level.

The degree to which public investment expenditure can be accelerated or postponed varies depending on the urgency of the need for the facility to be provided, and on the physical nature of the project. Hence, one part of the investment programme will include all those undertakings on which work cannot be postponed, either on account of social or other current need or because they lay the groundwork for an expanded investment expenditure when, for employment purposes, the need arises. The second part will comprise projects of genuine value, on which expenditure will be variable, expanding in times of low employment and declining when employment is high. There should be a large volume of truly useful postponable public investment projects of all governments available to fit into the second category to provide employment when needed.

In its own investment policy it is proposed that the Dominion adopt practices which are consistent with and which supplement its total employment program. Unemployment in Canada in the past has been associated with an abnormally low volume of exports, of which the effects are felt in the whole economy, and with a low volume of private domestic investment. It is proposed that investment policy be used to mitigate or offset deficiencies in export income or private investment expenditure according to the principles of

- (a) using public investment programmes to strike as near the source of deficiency as possible; and
- (b) providing expenditures through established channels in which the deficiencies of income and investment are most severely felt.

The great export industries are agriculture, forestry, mining and, to a lesser degree, fishing. An accelerated resources development programme would provide alternative income to these great export groups if exports are low. Non-urban road development programmes will have the same effect as far as agriculture, forestry and mining are concerned, although it is not apt to help the fisheries industry directly to any great extent. Increased income of the primary export groups would greatly help the remainder of the economy by maintaining both consumption and investment outlay.

A decline in private investment expenditure releases workers of various skills from employment and lowers the amounts of producer materials used. The resources development programme would help provide employment directly and indirectly to many of these people. In addition public expenditure on buildings, docks, wharves and piers would

provide direct use of labour and materials of the type not absorbed by private investment expenditure.

To follow the programme proposed, the Dominion is making provision that:

- (i) All basic survey and research work on which an expended resources programme depends be gone ahead with as rapidly as possible;
- (ii) advanced planning of projects be carried out on a sufficiently large scale to have an adequate reserve at all times for the timing purposes of the Dominion public investment programme;
- (iii) appropriate arrangements be made to make available sufficient technical and other staff to carry out the survey and planning work;
- (iv) arrangements among departments be completed in advance, site acquisition be provided for (perhaps by taking options), and other preliminary negotiations involving property rights and agreements with other governments or with private agencies be completed;
- (v) necessary authority be given to carry out the above arrangements at an early date and appropriations for execution of projects be made beforehand in order that contract letting may be proceeded with promptly, when necessary.

In the inter-war years, particularly in the 1930's, public investment expenditures of provincial and municipal governments were much larger than those of the Dominion government. It is highly desirable that other governments agree to accept similar timing policies to those that the Dominion proposes for its own programme. The Dominion proposes to give positive encouragement to provincial and municipal governments to follow these practices. Encouragement to prior planning will be offered by

- (a) lending technical assistance,
- (b) providing factual information resulting from Dominion survey and research work,
- (c) Dominion grants covering part of the cost of planning approved projects.

It would be necessary to set up machinery for assessing projects and standards for selecting them to qualify for the planning grant proposed. These arrangements would include

- (a) a maximum limit of planning grants for each province,

- (b) definition of projects to exclude maintenance and minor work and non-postponable projects,
- (c) requirement of provincial recommendation of municipal projects submitted for a planning grant,
- (d) a planning grant equal to x per cent of the planning and engineering cost, one half or other portion of which would be paid when the cost was incurred and if the project were registered for the timing assistance noted below, and the remaining part when and if the project was executed in a period approved by the Dominion.

To exercise effective influence on the timing of provincial and municipal public investment expenditure in the interest of employment without injecting Dominion interference into fields which are the exclusive concern of provincial and municipal governments will require new Dominion-provincial arrangements. The Dominion proposes to adopt a policy of attaching control of timing wherever it is paying grants for public projects (e.g. mining, roads or technical schools) if the project can be reasonably postponed. The Dominion further proposes to pay a specific grant of 20 per cent of the cost of provincial and municipal public investment projects if

- (a) they have been accepted and registered by the Dominion authority as fully planned projects prior to the time of execution;
- (b) they are executed in a period designated by the Dominion authority.

In accepting projects for registration, the Dominion authority would ascertain that the project was fully planned and ready for execution. All projects for which planning grants had been given would be accepted. Certain projects would be rejected on the ground that

- (a) they were maintenance, repair, local improvement or other non-postponable projects representing current work not genuinely submitted for timing; or
- (b) they were public utility projects, or of a commercial nature competing with private industry.

In the timing of projects the Dominion would concern itself only with employment considerations, leaving to the provincial and municipal governments the direction of their own investments, subject to the Dominion having discretion to determine in any one year the total value of projects, if any,

on which it would pay timing grants within any province. It would also of course authorize the grant for projects whose execution would extend over several years.

* * * *

The Government appreciates that the proposals briefly outlined above cover a large and complex field. Only by the closest co-operation at all levels of Dominion and provincial governments can the great possibilities inherent in our resources be realized and a fully rounded public investment programme be developed. It is the Government's view that the greatest effort should be made to achieve this co-ordination, and its proposals have been set forth to that end, to maximise the returns from these resources, stimulate private enterprise and improve the welfare of the people directly dependent on them.

SOCIAL SECURITY

Introduction

Security in War and Peace

The quest for security is not a new thing. We have sought it in the sense of personal security, through the efforts that each one of us makes towards a satisfactory adjustment of his own personal and environmental relationships. We have striven to achieve it in the form of economic security, or a decent livelihood for ourselves and our families. We have striven towards the twin goals of national and international security through bitter wars and intervals of peace.

It is this quest for national and international security that has involved us in the struggle of the past six years. Because of this, it is not so paradoxical as it seems that during war, when physical security is at its lowest, we should show a greater interest than ever before in social security plans for post-war Canada. Certainly, the interest of Canadians is greater than ever before in health and welfare and the weight of public opinion is reflected in the policies and programmes of all governments, provincial and federal alike. In the federal field, this interest in broader social security measures has resulted in the passage in wartime of the Unemployment Insurance Act, the Family Allowances Act, and in the act to create a Department of National Health and Welfare.

Social and Economic Reasons for Social Security

The problem of social security has two aspects. They are first, humanitarian or social, and second, economic or financial. Traditionally we have been

prone to regard these aspects as conflicting. Recently, however, we have come to realize that broad social security legislation justifies itself, not only in humanitarian terms but in the contribution it can make to economic stability through the maintenance of production, income and employment, and the equitable distribution of purchasing power.

Our people have been told on many occasions during the past six years that Canada, in company with other members of the United Nations, has fought this war not merely as a defensive war against aggression, nor merely to defend our way of life on the level that it existed before the war. They have been spurred on to maximum efforts by the thought that out of this struggle will come protection to all the cherished freedoms won through centuries of struggle, and even more, that through it will come a better way of life, a better chance at full and healthful living for common men and women everywhere. This was the promise given by the nations who pledged themselves to the ideals and the objectives of the Atlantic Charter.

Achieving Our Goal by Stages

Already, in the legislation mentioned, the Government has laid important foundation stones of social and economic security. The proposals which we desire to advance for the consideration of this Conference are designed, when fitted into place in the whole Dominion-provincial scheme of things, to fill the three main gaps in our present system. Health Insurance, National Old Age Pensions and Unemployment Assistance, combined with the health and welfare measures already adopted by the federal and provincial governments, will give Canadians a system of social welfare which will meet the main needs of our whole population.

The Economic Argument for Social Security

Reference has been made to the effect of large-scale social security measures on the economy of the country as a whole. This need not and should not be the prime consideration in adopting health and welfare legislation. But since this aspect of the problem has not received the attention that it merits, perhaps a further reference to it would be in order.

During the war we have succeeded in establishing new high levels of employment. Our national income has risen to record heights. Income and purchasing power have been more evenly distributed than ever before. This has resulted in an unprecedented increase in consumer demand.

During the war years we have been obliged to keep this consumer purchasing power under control

as far as possible. But as scarcities disappear and wartime demand falls away, it becomes essential to encourage a freer use of consumer purchasing power in order to take up the slack that will otherwise develop. It is in this connection—namely, the maintenance of a high degree of consumer purchasing power — that large-scale social security measures can and do play an important role.

A significant volume of social security payments, flowing into the consumer spending stream, will stabilize the economy of the country as a whole and work against a fall in the national income. Social security payments therefore become, in these circumstances, a powerful weapon with which to ward off general economic depression.

Social Security—Its Contribution to Canadian Unity

A nationally based and nation wide social security programme can strengthen true Canadian unity. It is the practical expression of our common interest in protecting the individual against economic hazards beyond his control.

The Government believes that the social security proposals which it is setting before this Conference would make a threefold contribution. They would provide a network of protection for the Canadian people that justifies itself on social and humanitarian grounds. They would provide an important degree of protection to buttress the nation's economy as a whole in times of stress and strain. Less tangible perhaps, but in some ways most important of all, they would make a vital contribution to the development of our concept of Canadian citizenship and to the forging of lasting bonds of Canadian unity.

The National Health Programme

Scope for Improvement in Health and Health Services

Although great progress has been made in Canada during the first half of this century, there still remains a tremendous job to be done in improving the national health and in extending the benefits of modern science and medical care to all parts of the nation and all sections of the population.

Certain specific diseases have been almost conquered; diphtheria and typhoid no longer exist in those communities which have adequate public health measures. Deaths from tuberculosis in Canada as a whole have fallen from 200 per hundred thousand population at the beginning of the century to 48 in 1944, the lowest in all time. In the past 25 years, infant mortality and maternal

mortality have been cut in half, but the rates are still too high. With adequate planning and action throughout the entire country it would be possible to make much more progress than what has already been achieved.

There are great inequalities in the quantity and quality of health care available to different groups of Canadians, and in the costs of such public and private health services and medical and hospital facilities as are now available. These inequalities in part reflect differences in personal incomes, and in part are due to differences between rural and urban areas. Great differences between provinces arise from these same factors.

About 45 per cent of the people of Canada live in rural areas, and on the whole they have much less adequate health services and medical care than are available in large centres of population with modern hospitals and laboratories and where scientists and doctors and specialists of all kinds tend to congregate.

It is becoming évident that the basic condition for good health in a community is the wise use of sufficient money, and that this requires a degree of organization and long-term planning in the twin fields of preventive and curative medicine greater than anything yet attempted in this country.

Under our present system, for the man who can afford to pay, the cost of ill-health falls at the very moment when his earning capacity is cut off. The cost of treatment and cure for the individual who cannot afford to pay is borne to a considerable degree through the benefactions of well-to-do members of the community and the generosity of doctors who give so freely of their time and skill, and more and more by the provincial governments and municipalities. In spite of these efforts desirable treatment is still not obtained in many cases. While much of the cost of illness is thus hidden, it can only come out of the total productive capacity of the country. The advantages of a broader provision of health services on a more equitable basis are obvious.

Health Services in Canada

In Canada health services fall clearly within the jurisdiction of the provinces, which share their administrative and financial responsibilities in this connection with the municipalities. Figures given in the Reference Book on Health Welfare and Labour indicate a total expenditure by provinces and municipalities combined on health services in 1943 amounting to approximately \$41,500,000. Dominion expenditures on health for the same year

through the Department of Pensions and National Health amounted to slightly more than \$1,500,000. Individual expenditures on health have been estimated at \$250,000,000 a year. There is a very great variety in the services covered by these expenditures and in the organization of provincial and local programmes through which these services are given.

To illustrate differences in organization, it may be mentioned that Divisions of Dental Hygiene are maintained by four provinces; Divisions of Nutrition by three provinces; three provinces maintain Divisions of Industrial Health; Divisions of Tuberculosis control are found in all but three provinces; only one province maintains a nurses registry; Divisions of Public Health Nursing are part of every provincial organization except one; health units are part of the organization in five provinces; Divisions of Public Health Education appear in the organization of every province except two; only one province maintains a Division of Entomology. Some of the provinces give free services in mental hospitals, for tuberculosis or for cancer. In some provinces there are full-time salaried municipal doctors, and in other cases partially subsidized doctors who give general practitioner service in sparsely settled areas.

Potential patients per doctor vary from 1973 in New Brunswick and 1878 in Saskatchewan to 1096 in Ontario. Within the provinces there are very disproportionate distributions of doctors. Some of the cities are adequately or relatively over-supplied with doctors, whereas many rural areas are very badly off.

There are also wide variations in the quality of services across Canada—widely varying patient-day costs, patient-doctor ratios and salary ranges in hospitals. There are just as great variations in the incidence of tuberculosis, venereal disease and other communicable diseases.

To remove the disparities in standards of health services in different parts of Canada, to avoid the risks of sudden heavy expenditures, and distribute health costs more widely and equitably, and above all, to obtain the benefits of better health for the great majority of our people,—these are the objects of the proposals which the federal government is now making with respect to health insurance for all, and increased public health services assisted by federal grants.

Health Insurance

Nearly all countries have adopted health insurance in one form or another. The chief exceptions to date have been Canada, Australia and the United States, which are all federal countries where jurisdiction over health is a matter of local concern

and belongs to the states and provinces rather than to the national government. Australia passed a National Health and Pensions Insurance Act in 1938, which has not come into operation. A major Social Security Bill to provide health insurance amongst other measures is now before the United States Congress. The history of the movement towards health insurance in Canada is outlined below.

Health insurance has been widely adopted because it is regarded as the best means of meeting and of distributing fairly the costs of illness and, in conjunction with preventive services, of improving the general health of the nation. Specifically:

- (1) Health insurance enables the cost of illness to be prepaid, so that by paying regular sums when they are well people are able to meet the costs of illness when they are ill without being financially crippled.
- (2) Health insurance not only enables individuals to prepay their medical costs, but does this in such a way as to secure a wide pooling of risks and distribution of costs in much the same manner as any other form of insurance.
- (3) The provision of funds by all persons within a large area makes it possible for hospital and medical services to people in that area to be planned and administered more efficiently and economically than could be done by any other method.
- (4) The provision of better facilities for treatment and advice also operates to reduce the total incidence of disease and preventable death. Health insurance must be accompanied by adequate public health measures of a preventive character, but health insurance itself also provides important preventive benefits.
- (5) Health insurance permits the steady extension of health services into areas not previously covered, and the rapid application everywhere of new methods and services as they are discovered and developed.

Health Insurance in Canada

In both federal and provincial circles, health insurance has been under active consideration since the last war. In 1941, the Minister of Pensions and National Health called a meeting of the Dominion Council of Health and other interested agencies to study the question. In 1942, the government appointed an Advisory Committee on Health Insurance. In 1943, the House of Commons appointed a Committee on Social Security. To this

committee, the Advisory Committee on Health Insurance made a report on the 16th of March, 1943. Widespread discussion occurred on the part of interested organizations and individuals. The Canadian Public Health Association in June, 1942, the General Council of the Canadian Medical Association in January, 1943, and numerous farm, labour and other organizations passed resolutions approving in principle of health insurance.

Included in the report of the Advisory Committee was a draft bill providing for health insurance on a nation-wide basis. This was to be administered by a commission to be established under provincial legislation to be enacted by each province. The estimated cost of health insurance to be provided by this means was \$256 million on the basis of the population in 1941. The federal government was to meet three-fifths of this cost by a grant in aid to the provinces. The provinces would meet two-fifths of the cost by a tax of \$12 imposed upon each adult in the population. The per capita cost was estimated at \$21.60 per every man, woman and child in the country, which would cover a complete medical and dental service, including specialist services and hospitalization.

In May, 1944, a conference was held at Ottawa which was attended by representatives of all the provinces. The discussion principally turned on the estimated cost of the services contemplated under the draft Health Insurance bill and on the manner of meeting this cost. Views were put forward by several provinces which appeared to have the support of most if not all of the provinces. These indicated their strong desire that health insurance should be proceeded with by stages and that any scheme adopted should be flexible enough to permit the provinces to build on the varying services in each province.

Since the meeting in 1944, health insurance has been further considered by the federal government in the light of the views expressed by the provinces.

In the Speeches from the Throne which began the session in January 1944 and which closed the session in January 1945, the federal government declared again its desire to bring in a nation-wide system of health insurance as soon as suitable arrangements could be made with the provinces. It was stated that this would be one of the subjects to be brought up at the Dominion-Provincial Conference to be held as soon as possible following the general election.

Desirable Features of a Plan of Health Insurance for Canada

In considering the proposal it would make in connection with health insurance, the federal government had in mind, not only the experience in other countries but the views of the provincial governments to which reference has been made here. It was felt that the proposals of the federal government should be based on the following principles:

(1) Any plan should have the ultimate aim of providing the highest quality of health care for all Canadians in all parts of Canada.

(2) While the scheme should be nationwide in scope, it should also be adaptable to meet the particular local conditions of the various provinces, and therefore should be under provincial administration.

(3) The plan should be flexible enough so that each province, in adapting it to local circumstances, may make use of provincial health services and facilities already in existence.

(4) The plan should be capable of being introduced in any province by several stages if that province so desires, in recognition of the fact that staff, equipment, and administrative experience may be lacking for carrying out an over-all scheme immediately.

(5) The plan should also be capable of coming into effect in separate areas if, in the opinion of the provincial authorities, such an approach is desirable in any particular province, but a time limit must be set for complete coverage of the whole province.

(6) While the national plan must outline the services which are to be provided, the provinces should be able to determine the particular methods by which these services will be made available, including any necessary arrangements with physicians, hospitals, nurses, specialists, manufacturers, druggists, and suppliers of equipment, all of which may be left to the decision of the various provincial administrations in accordance with their view of what is best in their province.

(7) As far as possible, the existing personal relationship between doctor and patient should be maintained.

Proposals of the Federal Government

The specific proposals which the federal government wishes to put forward at this time for consideration by the Conference include:

- (a) Grant for Planning and Organization;
- (b) Health Insurance;

(c) Health Grants;

(d) Financial Assistance in the Construction of Hospitals.

It is believed that none of these proposals involves in itself any change in the constitutional jurisdiction or responsibility of federal or provincial governments under the British North America Act.

(a) Planning and Organization Grant

As a preliminary step towards the establishment of health insurance, the federal government proposes to make available to the provincial governments grants for planning and organization so that each provincial government may as soon as possible establish a full-time planning staff to prepare for and organize health insurance benefits within the province, and make provision for the training of necessary personnel. This grant will be available as part of an agreement under which the provincial governments undertake to complete the preliminary preparations within 18 months, and, before the expiration of that time, to submit provincial health insurance programmes to the federal government. The amount of the grant offered comes to a total of \$620,000, divided among the provinces on the basis of \$5,000 each, plus five cents per person according to the distribution of population at the time of the 1941 Census. The apportionment of this grant by provinces is shown in the table on page 35.

(b) Health Insurance Proposal

The federal government's health insurance proposal is designed to put provincial governments in a financial position to develop and administer a comprehensive health insurance programme worked out by progressive stages on an agreed basis. To this end the various health benefits which the federal government would be prepared to assist in providing have been classified (see table below) and a procedure suggested for a wide degree of flexibility in each province in introducing them.

The proposed federal government's contributions to the cost of each benefit under the health insur-

ance plan as it is brought into effect in each province or in any area within a province is

- (i) a basic grant of one-fifth of the *estimated* cost of each service as shown on the table which follows (as from time to time revised by agreement), and
- (ii) one-half the additional *actual* cost incurred by each provincial government of providing each benefit, provided that the total federal contribution does not exceed the amount stated in the table for each service, or a maximum of \$12.96 per person, when the complete programme is in operation.

The table below shows the basis of the federal government's contribution to the provincial governments for health insurance in respect of each of the suggested benefits.

In order to get the plan started, for the next three years the cost of each benefit will be taken to be the amounts shown in the table. These figures will be replaced after each three years by the actual average cost of giving each benefit.

The provinces may introduce the benefits by stages and may establish any benefit for the whole or any part of the province. For example, a province may secure assistance in providing nursing assistance in rural areas of part of the province. The federal government would then contribute as above to the cost of this service, for all the people in the area served. This arrangement would allow each province to institute the benefits for which it feels the most pressing need and to develop complete health insurance services through those stages which appear to be most expedient for the province concerned.

In order to ensure early provision of basic services, a provincial government entering the plan would agree to furnish general practitioner services, hospital care and visiting nursing services within two years of its entering upon the plan.

The table of benefits with the figures at which the cost of each will be set until replaced after three years by the average actual cost of each service follows:

BASIS OF FEDERAL CONTRIBUTION FOR HEALTH INSURANCE

(Dollars per capita)

Service Provided	Estimated Average Cost of Service ¹	% of Total Cost	Basic Dominion Grant (20% of total est.)	Maximum Additional Dominion Grant (50% of additional actual cost to maximum)
	\$	%	\$	\$
<i>First Stage</i>				
General practitioner service.....	6.00	28	1.20	2.40
Hospital care.....	3.60	17	0.72	1.44
Visiting nursing service.....	0.60	3	0.12	0.24
Total First Stage.....	10.20	48	2.04	4.08
<i>Later Stages</i>				
Other medical services (consultant, specialist and surgical).....	3.50	16	0.70	1.40
Other nursing services (including private duty).....	1.15	5	0.23	0.46
Dental care.....	3.60	16	0.72	1.44
Pharmaceutical (drugs, serums and surgical appliances).....	2.55	12	0.51	1.02
Laboratory services (blood tests, X-rays, etc.).....	0.60	3	0.12	0.24
	21.60	100	4.32	8.64

¹ Estimated cost to be revised on basis of actual costs after three years.

The per capita cost of the general practitioner services, hospital care and visiting nursing services, grouped together as the First Stage, will be approximately \$10.20 for the country as a whole on the basis of the cost shown in the table. For this, the federal government would provide a basic grant of one-fifth, or \$2.04. In addition it would share equally all additional actual costs up to the estimated total cost. The federal contribution in respect to these three services would consequently be made up of the basic grant of \$2.04 plus an additional amount up to \$4.08 per capita, or a total of \$6.12. Again, on the figures shown in the table and on the assumption that the benefits provided in the First Stage were extended to all of Canada, the cost to the federal government for the First Stage would be \$70 million and about \$45 million for the provincial governments.

A province's participation in the plan would begin

- (1) Upon a province making use of the proposed Planning and Organization Grant within eighteen months and presenting a plan, satisfactory to the Governor-in-Council, describing the existing services and benefits in the province and the stages by which benefits will be provided and the full health insurance plan put into effect;

- (2) within the same period of eighteen months making an agreement with the federal government to provide the initial benefits for the First Stage of general practitioner services, hospital care and visiting nursing services within two years of the signing of the agreement. The agreement should further provide for the carrying into effect of the total health insurance programme over a term of years, for a registration fee to be paid by or on behalf of every person, who has attained his sixteenth birthday and whose normal place of residence is in the province or area where benefits are provided, for a registration, accounting and reporting system, for the cost of administration within the province to be paid out of money provided by the provincial government, and such other provisions and conditions as may be agreed to between the provincial government and the federal government.

A complete health insurance service for all the people of Canada must obviously take a number of years to introduce. The cost to the federal and provincial governments would depend on the health benefits provided at any given time. For the full

health insurance programme when finally realized the total cost, for the population shown in the 1941 Census and for benefits as shown in the table above, would be \$250 million per annum. On this basis the federal government's share would be \$150 mil-

lion and the provincial governments' share \$100 million.

On the same assumption the payments by the federal government for the various stages are shown on the following table:

COST TO THE FEDERAL GOVERNMENT OF INITIAL BENEFITS UNDER HEALTH INSURANCE

FIRST STAGE

(In thousands of dollars)

Province	General practitioner service	Hospital care	Visiting nursing service	Total
Prince Edward Island.....	342	206	34	582
Nova Scotia.....	2,081	1,248	208	3,537
New Brunswick.....	1,646	988	165	2,799
Quebec.....	11,995	7,197	1,199	20,391
Ontario.....	13,636	8,181	1,363	23,180
Manitoba.....	2,627	1,576	263	4,466
Saskatchewan.....	3,256	1,935	323	5,514
Alberta.....	2,866	1,720	287	4,873
British Columbia.....	2,944	1,767	294	5,005
Total cost to federal government.....	41,393	24,818	4,136	70,347

COST TO THE FEDERAL GOVERNMENT OF OTHER BENEFITS UNDER HEALTH INSURANCE

LATER STAGES

(In thousands of dollars)

Province	Other medical service	Other nursing service	Dental care	Pharmacists	Laboratory service	Total
Prince Edward Island.....	200	66	205	145	34	650
Nova Scotia.....	1,214	399	1,249	884	208	3,954
New Brunswick.....	960	316	988	700	165	3,129
Quebec.....	6,997	2,299	7,197	5,098	1,199	22,790
Ontario.....	7,954	2,614	8,181	5,795	1,363	25,907
Manitoba.....	1,532	503	1,576	1,117	263	4,991
Saskatchewan.....	1,882	618	1,935	1,371	323	6,129
Alberta.....	1,672	549	1,720	1,218	287	5,446
British Columbia.....	1,718	564	1,767	1,251	294	5,594
Total cost to federal government.....	24,129	7,928	24,818	17,579	4,136	78,590

These proposals are being made by the federal government as the most realistic method by which to realize, as soon as possible, the ultimate goal of a complete system of health insurance on a nation-wide basis. The provision of separate stages and the various alternatives left open to the provincial

governments have been adopted in order to make the scheme more flexible and practicable, and not with any idea of limiting the total scope. It is hoped that in this way the needs and circumstances of all the provinces can be adequately met, and the greatest possible degree of progress achieved.

(c) Health Grants

Previous references have indicated the wide variations in the provision of public health measures in the provinces. The object of public health grants is to ensure a more nearly standard quality and quantity of public health services throughout Canada at a higher level.

Vital statistics, the control of communicable diseases, the control of water pollution, industrial hygiene, tuberculosis control, venereal disease control, laboratory services, maternal and child hygiene, nutrition, mental health, public health research and the training of technical personnel, are all matters of much more than provincial interest, and freely cut across provincial boundaries and affect all the population of Canada. In the field of health perhaps more than in any other field, every part of Canada has a definite relationship to and inter-dependence with every other part. We can't effectively fight separate wars in public health.

There are good reasons why the provision of the public health grants should not await the inauguration of the health insurance plan. The return from the armed services of trained personnel will largely take place within the next eighteen months. It is important that the services of the best people should be obtained for this public health work before they are dispersed,—perhaps to other countries. It is important also that a solid base of public health services should be laid down on which can be built the health insurance plan. The Government is therefore giving consideration to providing a series of grants on the following basis without waiting for the inauguration of health insurance.

- (1) General Public Health Grant—A General Public Health Grant of 35c per capita annually on the basis of the population at the latest Census of Canada, to be made available to assist the provincial governments in the development of general public health services as described in the First and Third Schedules to the Draft Health Insurance Bill; provided that a province and its local governments shall continue to expend on these public health services amounts exclusive of the grant, at least as great as those spent previously.
- (2) Tuberculosis Grant—A Tuberculosis Grant not to exceed \$3,000,000 annually to be made available to assist the provincial governments in providing free treatment for persons suffering from tuberculosis and to be distributed as follows:—

- (i) 50 per cent on the basis of the per capita distribution of the population as enumerated at the latest Census of Canada; and
- (ii) 50 per cent according to the average number of deaths from tuberculosis in each province over the previous five years, as certified by the Dominion Statistician,

but the grant to a province not to exceed one-quarter of the total monies, exclusive of capital expenditures, expended by the provincial government and its local governments during the previous fiscal year for the prevention of tuberculosis and treatment of all persons suffering from tuberculosis.

- (3) Mental Health Grant—A Mental Health Grant not to exceed \$4,000,000 annually to be made available to assist the provincial governments in the prevention of mental illness, in providing free treatment for all persons suffering from mental illness and for mental defectives. The Grant to be distributed according to the per capita distribution of the population as enumerated at the latest Census of Canada, but the grant to a province not to exceed one-fifth of the total monies, exclusive of capital expenditures, expended by the provincial government and its local governments during the previous fiscal year for the prevention of mental illness and treatment of all persons suffering from mental illness and for mental defectives.
- (4) Venereal Disease Grant—A Venereal Disease Grant not to exceed \$500,000 annually to be made available to assist the provincial governments in the prevention and free treatment of venereal disease, and to be distributed as follows:
 - (i) 50 per cent on the basis of population as enumerated at the latest Census of Canada; and
 - (ii) 50 per cent according to the number of new cases of venereal disease reported in the previous calendar year as certified by the Dominion Statistician.

The federal government would match the expenditure of each province up to the limit of each province's share of the grant. The grant proposed here would be in substitution for the existing grant for venereal disease.
- (5) Crippled Children Grant—A Crippled Children Grant not to exceed \$500,000 annually

to be made available to assist the provincial governments in meeting the urgent need of an extensive programme for the prevention and treatment of crippling conditions in children, and to be distributed on the basis of the population as enumerated at the latest Census of Canada, or on such other method of distribution as may be arrived at by the federal government after consultation with the Dominion Council of Health.

(6) Professional Training—An item not to exceed an amount of \$250,000 annually for professional training of personnel in the field of public health to assist the provincial governments in embarking upon an expanded programme of public health services.

(7) Public Health Research—An item not to exceed \$100,000 annually for Public Health Research to encourage public health research and to assist the provincial governments in meeting emergent conditions.

(8) Civilian Blind—An amount to be determined annually to be made available to permit the pension age for blind persons to be lowered from 40 to 21 years of age and to provide for treatment of the blind who will benefit therefrom, and of persons suffering from conditions which might lead to blindness, the cost to be financed on the basis of 50 per cent by the federal government and 50 per cent by the provincial governments.

General Conditions—The grants to be conditional upon the Governor-in-Council being satisfied after consultation with the Dominion Council of Health that the provisions and administration of the general public health services and special services are such as would secure the effective and satisfactory use of the grants to extend and improve these services throughout the province.

Estimated Cost—The maximum cost of these grants to the federal government and their distribution to the provincial governments would be as follows:

ESTIMATED COST AND DISTRIBUTION OF PLANNING AND ORGANIZATION GRANT AND HEALTH GRANTS
(In thousands of dollars)

Provinces	Planning and Organization Grant	(1) General Public Health	(2) Tuberculosis Grant	(3) Mental Health Grant	(4) Venereal Disease Grant
Prince Edward Island.....	\$ 9.8	\$ 33.3	\$ 25.5	\$ 33.0	\$ 2.5
Nova Scotia.....	33.9	203.3	178.5	200.6	27.0
New Brunswick.....	27.9	160.1	132.0	158.7	20.0
Quebec.....	171.6	1,166.2	1,107.0	1,156.2	143.5
Ontario.....	194.4	1,325.7	765.0	1,314.3	167.0
Manitoba.....	41.5	255.4	184.5	253.2	32.0
Saskatchewan.....	49.8	313.6	180.0	310.9	29.5
Alberta.....	44.8	278.7	178.5	276.3	31.5
British Columbia.....	45.9	286.3	249.0	283.8	46.5
Total cost to the federal government.....	619.6	4,022.6	3,000.0	3,987.0	499.5
Provinces	(5) Crippled Children Grant	(6) Professional Training	(7) Public Health Research	(8) Civilian Blind	Total for Health Grants 1 to 8*
Prince Edward Island.....	\$ 4.2	\$	\$	\$ 19.5	\$ 118.0
Nova Scotia.....	225.0			114.0	748.4
New Brunswick.....	19.8			136.4	627.0
Quebec.....	144.4			452.1	4,169.4
Ontario.....	164.2			284.0	4,020.2
Manitoba.....	31.6			60.2	816.9
Saskatchewan.....	38.8			64.0	936.8
Alberta.....	34.5			47.9	847.4
British Columbia.....	35.4			65.8	966.8
Total cost to the federal government.....	497.9	250.0	100.0	1,243.9	13,600.9*

* Does not include Planning and Organization Grant, which is non-recurring but does include 350 thousand to be spent by Dominion on Professional Training and Public Health Research.

(d) Financial Assistance in the Construction of Hospitals.

It is recognized that the provision of complete health insurance services would require a considerable extension in hospital facilities throughout the country. Much of this expansion would be required even for the first stage specified. It is also recognized that this expansion would be desirable quite aside from health insurance in order to provide the proper facilities for treatment and research.

To make a hospital extension programme less burdensome to the provincial governments and to local communities, it is proposed that the federal government should provide loans to the provincial governments entering health insurance agreements, and through provincial governments to municipalities and other organizations, for necessary expansion of hospital facilities, at a rate of interest equal to or only slightly above the cost of such loans to the Dominion, and that the interest and amortization would be payable out of the hospital care benefit under the Health Insurance Grant, or out of the Tuberculosis Grant or the Mental Health Grant, as the case may be.

Summary

The National Health Programme includes proposals for Health Insurance to provide health services to individuals, Health Grants to assist and extend public health and preventive medicine, a grant for Organization and Planning, and provision for low-interest loans for the construction of hospitals. The federal government is developing its own health services so that in its own field it will be fully prepared to discharge its constitutional responsibilities. In order also to assist the provincial governments in their fields the federal government will be prepared to make its staff available in a consultative capacity and to consider providing the staff and equipment necessary for doing those things which the provincial governments agree are capable of being done most effectively by the federal government.

The National Health Programme also contemplates the construction of a National Laboratory as a postwar development project, the extension of health services to the Civil Service, the application of proper health and sanitation standards for the federal government buildings, the development of the National Fitness programme, the provision of consultative services for departments of the federal government, and a very great increase, wherever possible, in all fields of cooperation between the

federal and provincial governments, so as to press forward the best possible health programme for the people of Canada.

National Old Age Pensions

Changes Ages in Canada

Canada is, by comparison with most countries of the world, a new and young country. This does not alter the fact that even a young country can have an ageing population, and this is true of Canada.

The heavy immigration to this country prior to the last war, the increased expectancy of life that has resulted from the tremendous strides in medical knowledge and public health activity, together with the further fact of a declining birth rate, bringing fewer replacements to the total population as the age of our present population rises with the years, combine to bring about a situation which we must recognize when we begin to plan social security measures for the next few decades.

One fact alone will illustrate the extent to which our population in Canada is an ageing one. The 1941 Census showed total population in Canada of 11,506,000, of which 460,000 were 70 years of age and over. Less than three decades from now, in 1971, on the basis of present estimates, and ignoring the unknown factors of immigration and emigration, our population will have increased to 13,865,000 persons, of which no less than 977,000 will be 70 years of age and over. In other words, our total population will increase from 1941 to 1971 by almost exactly 20 per cent; while our population over 70 years of age, in this same period, will increase by over 112 per cent. In 1941 one person out of every 25 in Canada was 70 years of age or more; in 1971 one person in every 14 or 15 will be 70 years of age or more. These facts themselves indicate the importance of the problem of providing adequately for our older citizens in any social security plan that we may devise for our country.

Mounting Cost of Old Age Pensions

The first and most obvious conclusion from these facts is that the financial burden of providing for old age dependency is bound to increase progressively through the next 25 years. Experience with our present old age pension scheme since 1936, when all of the provinces finally came into the programme, shows that through the years about 40 per cent of the population, 70 years of age and over, received the old age pension. Aged persons are finding it increasingly difficult under normal conditions to

retain their places in the labour market, and this condition is not likely to be reversed in the next 25 years.

Canada's Present Old Age Pension Laws

Before presenting the Government's actual proposals it will be well to review the old age pension scheme as it presently exists in Canada.

The Canadian Old Age Pensions Act of 1927 established a system of old age pensions in Canada administered by the provincial governments, with a federal government contribution of 50 per cent, which was later increased to 75 per cent, of the net cost of all pensions paid. These pensions are available to any British subject who has reached the age of 70 years and has resided in Canada for 20 years, including the 3 years immediately preceding the date of application for pension. The pension is payable only in case of need, and is reduced by the amount of private income of the pensioner in excess of \$125 per annum. The maximum amount of pension to which the Dominion contributes is \$25 per month, but some provinces have added supplemental amounts to which the Dominion does not contribute, the largest of such amounts being \$5 per month.

The basic principles are laid down in the Act, and the provincial governments administer the scheme under separate agreements with the federal government after passing the necessary provincial enabling legislation. There are considerable variations between the provinces in respect of the number of persons obtaining pensions and the average amount of pension paid. Thus, in one province 28 per cent of all persons age 70 and over were receiving old age pensions in 1945, and in another province 57 per cent. Likewise, the amount of average monthly pension varies from \$18.63 per month in one province to \$29.41 (including provincial supplement) in another. Generally speaking, the need for pensions is, as might be expected, greatest in those provinces which are least able to finance such payments out of local revenues.

Deficiencies of the Present Scheme

- (1) The means-test is generally recognized as undesirable after a certain age. It has been noted that about 40 per cent of all persons of 70 years of age and over make application, satisfy the means-test requirements and receive pensions. There is little doubt that a very considerable number in addition are not able entirely to support themselves, but are dependent upon their family, and refrain

from applying for pensions because of the embarrassment occasioned by the means-test.

- (2) The minimum age of 70, though convenient as a dividing line with respect to the payment of any kind of universal old age pension, is nevertheless too high in a number of cases of actual need. A strong case can be made for reducing the age limit to 65 in order to provide assistance, at least for those in the age group 65-69, who are actually in need.
- (3) The statutory amount of \$20 per month, although increased to \$25 during the war, may still be too low as a national minimum.
- (4) Any broad extension of the present plan would impose serious burdens on limited local revenues in a number of provinces. Even without such an extension, the costs will increase very considerably as the proportion of old persons in the population will continue to rise for thirty or forty years.

Desirable Features for National Old Age Pensions in Canada

In developing its proposals with reference to old age pensions, the federal government has given careful attention to the experience of other countries (in particular the plans and proposals now in operation or under consideration in Great Britain, the United States, Australia and New Zealand), as well as to the economic and social conditions of Canada. In the light of this survey, it appeared that the following principles should be incorporated in the Dominion Government's proposals.

- (a) The scheme should be nation-wide in scope and capable of immediate implementation.
- (b) Benefits should be paid at flat rates and should not in individual cases have to be related to individual amounts or rates of prior contribution.
- (c) Provision should be made for more generous scales of payment and a lower age of eligibility than heretofore.
- (d) To the extent that means-testing procedures may have to be maintained, they should be left as the administrative responsibility of the provinces, who are best equipped to deal with this problem.

Summary of the Federal Government's Proposals

The federal government's proposals are twofold:

(a) National Old Age Pensions at age 70

As part of the general proposals now put before the Conference, it is proposed that the federal gov-

ernment would establish a system of National Old Age Pensions entirely financed and administered by the federal government, and paid at the uniform rate of \$30 per month regardless of means to men and women aged 70 and over in all parts of Canada.

The cost of National Old Age Pensions by 1948, for example, is estimated at \$200 million. (For details see Table I below). There would be a partial recovery from people over 70 paying income tax.

(b) Dominion-Provincial Old Age Assistance at age 65-69

In addition, it is proposed to provide old age assistance for persons of age 65-69, in cases of need and in accordance with local conditions and individual circumstances, under Dominion-provincial agreements broadly similar to those presently existing with respect to old age pensions for persons of age 70 and over, but with certain changes designed to liberalize the conditions under which assistance is given. The proposal is that the provincial governments should administer this old age assistance and that the federal government should contribute 50 per cent of the cost, up to 50 per cent of \$30 per month.

The total cost of this measure by 1948 is estimated at \$34 to \$40 million, of which the federal government would pay \$17 to \$20 million (see Table I).

National Old Age Pensions at Age 70

The principal feature of the proposed National Old Age Pensions is the elimination of the means-test after reaching age 70, regarding this as unsuitable for the oldest group in the community over 80 per cent of whom are not in fact capable of supporting themselves in useful remunerative work. Payment of pensions as of right to people of this age offers the best kind of economic security. It removes the fear of destitution much more certainly than any other method, and relieves old people of the necessity of seeking work, or of endeavouring to keep on working in unfavourable circumstances and beyond the age at which they should be able to retire, without dependence on charity or burdening the family. In addition to providing a minimum subsistence for those with no other resources, this system would enable other persons with moderate private savings to retire from active work sooner, or in more comfort, than would otherwise be possible.

The removal of the means-test would make it possible for these pensions to be administered by the federal government alone on a uniform national basis, without the necessity for provincial participa-

tion, and would therefore considerably relieve provincial finances. As the federal government would be assuming full financial responsibility, it would also administer the payment of these pensions.

Old Age Assistance at Age 65-69

The minimum age for National Old Age Pensions must be definite and fixed; it cannot vary with individual cases. It must be recognized, however, that there will be an intermediate age group in which a significant minority of persons will be unable, by reason of age, to support themselves without assistance. These persons who, in fact, suffer from the disability which old age pensions are intended to assist, should not be left with no other resources than local poor relief for the temporary period which must elapse till they reach the qualifying age for old age pensions. Accordingly, it is proposed that the existing system of joint Dominion-Provincial old age assistance on a means-test basis, which it is proposed to supersede as regards persons of 70 and over, should be adapted to meet the needs in particular cases of persons of age 65-69, with a federal government contribution of 50 per cent of the cost.

It is clear that the determination of the particular cases in which payments are required for the support of persons aged 65-69 is a matter which requires local administration adapted to local conditions and individual circumstances. It is accordingly proposed that administration be left with the provincial governments. The federal government offers to provide financial assistance and give tangible expression to the national interest in the matter, by contributing 50 per cent of the cost. Such a federal contribution will, in fact, leave the provincial governments under less of a financial burden than their probable expenditure would be under a continuation of the existing scheme for persons of 70 and over. Under the present proposal, the provincial expenditures would of course be very much less than if the existing scheme were simply extended to cover persons of age 65-69, as well as persons of age 70 and over.

Conditions of Eligibility

For National Old Age Pensions the chief conditions of eligibility would be that the applicant had attained the age of 70 and had resided in Canada for a total period of 20 years since age 18, including a period of 3 years immediately preceding the date of application for a pension.

For old age assistance in cases of need for persons aged 65-69, the following conditions would apply:

- (a) Completion of a period of residence in Canada of the same length of time as that required for National Old Age Pensions.

- (b) Maximum payment to which the Dominion would contribute to be \$30 per month.
- (c) Maximum payment to be reduced by the amount of the applicant's personal income (if any) in excess of \$125 per annum. In computing the income of the recipient for purposes of this means-test, moneys received from other sources not for the recipient's own use to be excluded. The pension would only be reduced to the extent that the pensioner had outside sources of personal income for his or her own use.
- (d) The provinces would be asked to agree that old age assistance would in every case be provided by the province in which the applicant currently resides, without abatement because of previous residence in another province, and without the need for reimbursement and mutual accounting between provinces in such a case.
- (e) The existing requirement that payments made by way of old age pension must be recovered where possible from the estate of the recipient after his death would be abolished.
- (f) In other respects, the conditions of the present means-test scheme would be continued without important changes.

Welfare Services to the Aged

The proposed provision of income payments by the federal government for persons of age 70 and over would not mean that the usual provincial welfare services would not also be required in particular cases. The federal government is not proposing to enter this field, which is properly one of provincial responsibility. Indeed it would be essential that the provinces should continue to provide welfare services where necessary for persons of age 70 and over, as well as for those under 70.

TABLE I
ESTIMATED COST OF FEDERAL OLD AGE
PENSIONS PROPOSALS
(All figures in \$ millions; administrative costs not included;
estimates based on 1948)

	Total cost	Dominion share	Provincial share
<i>I. Cost in 1948 under new proposals</i>			
National pensions, age 70 and over.....	200	200	nil
Assistance on basis of need, age 65-69.....	34*	17	17
Combined cost, pensions and assistance.....	234	217	17
<i>II. Cost under existing scheme</i>			
(a) Actual cost in 1944....	56	40	16**
(b) Est. cost in 1948 at present rates—			
Age 70 and over...	69	48	21**
Age 65-69 (if scheme extended).....	29*	20	9**
Age 65 and over (if scheme extended)	98	68	30**
(c) Est. cost in 1948 at \$30 per month—			
Age 70 and over...	80	60	20
Age 65-69 (if scheme extended)	34*	26	8
Age 65 and over (if scheme extended)	114	86	28

* Estimates with respect to the age group 65-69 are affected by some uncertainty as to the proportion which would require assistance. The total cost might be \$5 million greater than the amounts shown.

** Provincial costs at present rates include provincial supplements, which would presumably disappear if the basic rate were increased to \$30 per month.

TABLE II
ESTIMATE OF COST OF OLD AGE PENSIONS IN 1948 BY PROVINCES

1. Cost under Proposed New System (in \$ millions)

Province of residence of pensioners	Dominion Government			Provincial Governments	All Governments
	Age 70+	Age 65-69	Total		
Prince Edward Island.....	2.2	0.2	2.4	0.18	2.6
Nova Scotia.....	11.9	1.3	13.2	1.3	14.5
New Brunswick.....	7.9	1.1	9.0	1.1	10.1
Quebec.....	44.6	4.4	49.0	4.4	53.4
Ontario.....	77.8	5.4	83.2	5.4	88.6
Manitoba.....	12.2	1.2	13.4	1.2	14.6
Saskatchewan.....	12.2	1.2	13.4	1.2	14.6
Alberta.....	11.5	1.0	12.5	1.0	13.5
British Columbia.....	19.8	1.3	21.1	1.3	22.4
9 Provinces.....	200.1	17.0*	217.1	17.0*	234.1

II. Comparison of Provincial Costs, Present and Proposed Systems (in \$ millions)

	New system	Present system at 1945 rates		Present system at \$30 per month	
	Age 65-69	Age 70+	Age 65+	Age 70+	Age 65+
Prince Edward Island.....	0.18	0.13	0.20	0.21	0.30
Nova Scotia.....	1.3	1.2	1.7	1.6	2.2
New Brunswick.....	1.1	0.9	1.3	1.3	1.8
Quebec.....	4.4	4.1	5.9	5.2	7.4
Ontario.....	5.4	7.7**	10.9**	6.4	9.1
Manitoba.....	1.2	1.1	1.6	1.4	2.0
Saskatchewan.....	1.2	1.7**	2.4**	1.4	2.0
Alberta.....	1.0	1.7**	2.4**	1.2	1.6
British Columbia.....	1.3	2.2**	3.2**	1.5	2.1
9 Provinces.....	17.0	20.8**	29.6**	20.0	28.4

* Costs under the proposed new system for persons aged 65-69 are estimated on the assumption of (1) full rate of \$30 in each province (2) 25% of national total of persons aged 65-69 being eligible for pension on means-test basis, and (3) distribution of national total among provinces in same proportion as that of pensioners aged 70 in 1941. Assumption (2) may be conservative; the total cost to Dominion and provinces might be \$40 million instead of the \$34 million here estimated.

** Provincial costs at 1945 rates include an estimate of the cost of provincial supplements in the cases of Ontario, Saskatchewan, Alberta and British Columbia. These supplements would presumably disappear if the joint Dominion-provincial rate were raised to \$30.

TABLE III
NUMBER OF OLD AGE PENSIONERS BY PROVINCES

	% of Dominion totals in 1941	Number of pensioners, means-test system			No means-test (total persons)	
		Age 70 + 1941	Age 70 + 1948	Age 65-69 1948	Age 70 + 1948	Age 65-69 1948
		Actual	Forecast		Forecast	
Prince Edward Island.....	1.1	1,987	2,380	1,010	6,000	4,000
Nova Scotia.....	7.8	14,454	17,280	7,330	33,000	18,000
New Brunswick.....	6.3	11,747	14,050	5,950	22,000	13,000
Quebec.....	25.8	48,000	57,410	24,330	124,000	83,000
Ontario.....	31.8	59,224	70,860	30,020	216,000	137,000
Manitoba.....	6.8	12,727	15,220	6,450	34,000	25,000
Saskatchewan.....	7.0	13,111	15,680	6,650	34,000	30,000
Alberta.....	5.8	10,746	12,850	5,450	32,000	27,000
British Columbia.....	7.5	13,942	16,670	7,070	55,000	40,000
Total, 9 provinces.....		185,938	222,400	94,250	556,000	377,000

NOTE.—The 1948 forecast for number of pensioners under a means-test system is derived by ascribing to each province the same percentage of the Dominion total as in 1941. The percentage distribution of pensioners by provinces has been remarkably steady from 1938 to 1945. For present purposes it would seem to be sufficiently accurate to base the 1948 forecast on 1941 percentages.

TABLE IV
FORECAST OF TOTAL POPULATION, NUMBER OF PERSONS AGED 65-69, AND NUMBER OF PERSONS
AGED 70 AND OVER, BY PROVINCES
(in thousands)

	1941 Census			1944 (Est.)			1948 (Est.) Forecast		
	Total	65-69	70 +	Total	65-69	70 +	Total	65-69	70 +
Prince Edward Island.....	95	3	6	91	4	6	95	4	6
Nova Scotia.....	578	17	30	612	17	31	636	18	33
New Brunswick.....	457	12	20	462	12	22	491	13	22
Quebec.....	3,332	71	105	3,500	75	113	3,680	83	124
Ontario.....	3,788	116	185	3,965	126	198	4,051	137	216
Manitoba.....	730	19	27	732	21	30	762	25	34
Saskatchewan.....	896	20	26	846	24	28	891	30	34
Alberta.....	796	19	23	818	22	26	857	27	32
British Columbia.....	818	30	38	932	36	45	943	40	55
9 Provinces.....	11,490	307	460	11,958	337	499	12,406	377	556

	Total	65-69	70 +
1961 All Provinces.....	13,491	474	813
1971 All Provinces.....	13,865	556	977

(All figures from Dominion Bureau of Statistics.)

NOTES.—The national totals make no allowance for net immigration to Canada from other countries, or net emigration from Canada to other countries, subsequent to 1944; this factor has been of little significance in the past 15 years.

The estimates for 1944 take account of interprovincial migration since the 1941 census, but it is impossible to predict the direction and extent of such a movement in the future; accordingly, no forecast of distribution by provinces is given for years subsequent to 1948; for that year, the forecast is based on the age distribution of the 1944 population of each province and projected mortality rates, with no allowance for any interprovincial migration.

Implementation and Financing of Old Age Pensions and Health Insurance

The National Health Program, including the scheme of health insurance, as set out in this brief is part of the broad set of proposals which the Dominion Government is laying before this Conference. In effect, it provides for Dominion assistance to a series of provincially-administered health plans. For it, as for other proposals, the Dominion Government desires the consideration of the Conference. In addition, the specific agreement of the individual provincial governments is necessary in order to implement the health plan in their respective provinces.

Similarly, it is proposed that old age pensions to persons between 65 and 70 years of age and in need should be provincially administered and thus subject to specific agreement.

The proposed system of old age pensions payable as of right without means test to persons 70 or over would be instituted and administered by the Dominion Government and specific agreements with provincial governments would not be essential to its implementation.

It is within the power of the Dominion to finance its share of the combined cost of health insurance and of old age pensions out of the Consolidated Revenue Fund with such modification of taxation as would be justified, in the opinion of Parliament, by the universal benefits of health insurance and old age pensions and by the other purposes of Dominion expenditure.

There are, however, some definite advantages, in terms of administrative efficiency, compliance, and popular understanding of the plans, in introducing features, more specifically contributory in nature and tied up more closely with the provisions of health insurance and old age pension legislation. These additional and desirable features would be helpful in the early and effective inauguration of the plans and the Dominion Government asks that they be provided for in specific agreements with the provincial governments.

Unemployment Assistance

Unemployment Insurance and Unemployment Assistance Benefits

Over the past seven or eight years there have been recommendations by the National Employment Commission, the Sirois Commission and others, that the Dominion should assume responsibility for necessary relief to the employable unemployed. It has been generally suggested that the Dominion should accept this obligation as part of any general settlement with the provinces.

The Dominion established in 1941 a scheme of Unemployment Insurance, which guarantees payments in the event of unemployment to a group numbering about 2,300,000 out of a total present number of about 3,000,000 wage and salary earners. In addition, all those of the 760,000 now in the armed forces who enter insured employment upon demobilisation will be covered in due course. The coverage is incomplete and the duration of payments is limited, so that provincial governments and municipalities may feel that they are still subject to the possibility of heavy relief problems if unemployment on a substantial scale should develop.

The Dominion Government in its statement on Employment and Income announced that the maintenance of a high level of employment and income was "a primary object of policy." The people of Canada and the provincial and municipal governments are thus assured of an active Dominion policy to avoid and combat unemployment, but there is no underlying guarantee of payment of unemployment assistance by the Dominion Government if in fact unemployment should develop as a result of a possible world depression, or as a result of unavoidable dislocations beyond the immediate control of federal authority.

As a part of the general arrangement with the provincial governments, the Dominion Government now proposes to establish a practicable and comprehensive system of assistance to able-bodied unemployed persons as soon as possible, rather than waiting until the need for it actually arises. It is thought necessary not to permit the recurrence of the problems of administration being separated from financial responsibility, and to avoid the make-shift arrangements and controversy with provincial governments which otherwise would be almost certain to recur under the old methods of providing relief even though the number of persons involved were small. The Dominion is therefore accompanying its proposal for general acceptance of responsibility with a concrete plan for its implementation in the field of assistance for employable unemployed persons.

Necessary Requirements of a Dominion Scheme of Unemployment Assistance

- (a) Such a plan must fit into and make the maximum use of the structure and machinery of the existing Unemployment Insurance system. It would not be sensible to set up a different system requiring a different kind of administrative machinery and applying tests different from those used in unemployment insurance.

- (b) In particular, it is neither desirable nor feasible to base Dominion assistance upon the application of a means-test in the sense of a thorough going assessment of the total resources of the individual or family concerned. The provision of relief under a means-test, where such a system is necessary, is much more suitable for provincial and municipal responsibility and administration, as the circumstances to be taken into account will depend to a very large degree upon local conditions and local policies. The principle of Dominion policy on the other hand is not the provision of relief, but the assurance of either a job or of a subsistence income in lieu of a job, if necessary for a substantial period of time, available to employable persons who are able and willing to obtain a job whenever possible. The Dominion regards it as desirable, however, at least in the early stages, to apply a test in the case of unemployment assistance as distinct from unemployment insurance, and accordingly unemployment assistance would not be provided for persons who, by reason of independent income or family status, are not dependent on employment for a livelihood.
- (c) A further requirement is that the Dominion plan should not attempt to establish differentials in rates of benefit between provinces, or between localities in a province, or between rural and urban areas as such; national action of this sort must be based upon a uniform national system.
- (d) The plan proposes acceptance of Dominion responsibility for unemployed employables, and provincial and local responsibility for unemployables, but it is recognized that this division presents problems of definition in some individual cases, and that in operating practice the only final test of employability is ability to get and hold a job.

Outline of Dominion Proposals

The Dominion Government would accept responsibility for ensuring that there shall be provided a reasonable minimum payment for the maintenance of employable unemployed persons through

- (a) the extension as rapidly as possible of unemployment insurance to cover all employees, and

- (b) in the period when such extension is being carried out and before insurance benefits properly so-called can be built up, by instituting a system of unemployment assistance to be administered in close co-operation with the Unemployment Insurance Commission and applying the same tests and procedures. (Insofar as the Dominion policies of unemployment insurance, unemployment assistance, old age pensions, and family allowances fail to meet a few special cases or special local situations, there would remain a small portion of unemployment expenditures to be dealt with as before by the provinces and municipalities, independently of the Dominion.)

Extension of Unemployment Insurance

The scope of the present Unemployment Insurance scheme does not extend to

- (i) those previously employed persons whose employments are not at present insured. The largest groups at present are farm employees, domestic servants, certain government employees, and office employees receiving \$2,400 or more;
- (ii) insured persons who do not qualify for or have exhausted their benefits in prolonged unemployment;
- (iii) young persons who have not been able to start employment;
- (iv) previously self-employed (farmers, tradesmen, trappers, etc.) who give up their enterprise and seek employment.

As rapidly as possible the Unemployment Insurance Act will be widened to embrace all employed persons. It is recognized, of course, that the Act cannot be immediately extended to the irregular employments, or to those in which as a general rule there are only one or two employees per employer; time is required to overcome the difficult administrative problems of collection of insurance contributions in such cases. However, the Act can and will be extended promptly wherever possible. Consideration will be given to the advisability of including persons in government and municipal service and those monthly-rated employees now outside the Act because of having wages in excess of a stated maximum.

As already stated the objective would be to bring into insurance in a relatively short time the whole employed population; when this had been accomplished the only employees who might require assistance, in contrast to insurance, would be those

who had exhausted their insurance benefits or failed to qualify. By that time experience with the extended insurance scheme would enable a decision to be made whether to extend the duration of benefits and shorten the period of qualification for insurance.

Provision of Unemployment Assistance

The Dominion would establish a system of unemployment assistance for able-bodied unemployed persons who have not benefit rights under the Unemployment Insurance Act. This would be particularly valuable in the interval while unemployment insurance is being expanded. If ultimately unemployment insurance can cover all possible cases, it would be possible to dispense with unemployment assistance, and in any event its scope would diminish to the extent that unemployment insurance is broadened.

In general terms, the qualifications for unemployment assistance would be

- (1) that the individual had been an employee for a minimum specified time, or being a young person could be expected to have been employed had it not been for employment conditions at the time when he entered the labour market;
- (2) that he is available and fit for employment;
- (3) that he is unemployed through no fault of his own; and
- (4) that he is not entitled to benefits under the Unemployment Insurance Act.

It is proposed that some kind of a simple test would be adopted so that unemployment assistance would not be provided to those who are not dependent on their own employment for a livelihood or to those who have an adequate income independent of employment.

In the case of an insured person who has exhausted insurance benefits, or who lacks the full qualification for insurance benefits, the scale of assistance would be approximately 85 per cent of the insurance benefit to which such person's contribution class previously entitled him or would in due course entitle him. In the case of a person who is not insured but for whom there is a record of previous employment, the scale of assistance would be approximately 85 per cent of the benefit rate to which he would have been entitled if insured. In the case of persons who are not insured and who have no adequate record of previous employment, assistance would be provided at a flat-rate which would not conflict with insurance benefits or wage rates for comparable employed persons.

It should be noted that family allowances will always be paid irrespective of employment, and no deduction would be made from either unemployment insurance benefits or unemployment assistance by reason of the fact that family allowances may also be received by the person concerned.

If it should be deemed necessary by any municipality for it to supplement the rates of assistance available in any particular cases, the provision of such a supplement would remain a matter for the provincial government or the municipality concerned, and subject to whatever conditions they wish to apply for purposes of the supplement.

A person who ceases to be employable would not be eligible for unemployment assistance. In the absence of more specific evidence of unemployability, a person who has remained on assistance for a period of two years, without being able to obtain or keep employment other than of a casual nature, would be declared ineligible and transferred to the responsibility of the provincial government and municipality.

Self-employed Persons

The Dominion Government recognizes that these proposals would not provide unemployment insurance or unemployment assistance for the owners of businesses and other self-employed persons who might be unable to continue in their ordinary occupation as a result of depression conditions, and who might at such time enter the labour market without any previous employment record. Unemployment insurance is obviously impossible in such cases, and the provision of unemployment assistance is basically unsuitable except for persons who are normally employed for wages. The major goal is universal insurance for all employees, and proposals to this end are not adaptable, with reference either to the collection of insurance contributions or to the establishment of appropriate scales of benefit payments, to the provision of economic and financial assistance for self-employed persons. To the extent that such persons are in need of assistance, this residual problem, which is not large financially, is one that would require local action.

Financing Unemployment Assistance

Payments for unemployment assistance would be made under authority of an appropriation for this purpose, out of the Consolidated Revenue Fund, and not out of the Unemployment Insurance fund.

Extended Employment Services

The proposed extension of unemployment insurance and the introduction of Dominion unemployment assistance would greatly increase the administrative responsibilities of the Employment Service. In addition the Dominion would have a greatly increased interest in the effective operation of vocational guidance and vocational training schemes as an aid to providing employment.

The Employment Service

At the outbreak of war in September 1939, there was no National Employment Service in the sense that we now understand that term. Under the Employment Offices Co-ordination Act of 1918 there was a degree of co-operation in the administration of the provincial Employment Services, the operation of which was aided by Dominion grants. The Unemployment Insurance Act, 1940, directed the Unemployment Insurance Commission to "organize and maintain an employment service for Canada..." and "to collect information concerning employment for workers and workers seeking employment... with a view to assisting workers to obtain employment for which they are fitted and assisting employers to obtain workers most suitable for their needs".

The newly formed Employment Service under the Unemployment Insurance Act had been in operation for only nine months when the first National Selective Service Regulations came into effect to meet the unusual manpower problems and acute shortages brought about by the war. These manpower controls would be neither suitable nor desirable for a peacetime economy and already long strides have been taken towards relaxation. However, as a result of the valuable experience gained in the administration of the Employment Service, it seems probable that certain controls are a prerequisite to the operation of a free Employment Service.

It is difficult to visualize an efficiently operated Employment Service that does not have a reasonably complete picture of all vacancies and the number of persons seeking employment, together with trends and prospects of labour supply and demand.

This information is essential (a) to the planning of employment projects and even fiscal policy; (b) to assure that unemployment insurance benefit and unemployment assistance is paid only to those who cannot be referred to suitable employment; (c) to assist in the rehabilitation of ex-servicemen; and (d) to the effective carrying out of the Dominion

Government's policy of preference in referral to employment for veterans who have had overseas service or who are in receipt of a pension.

Employment officers must be equipped with the information necessary to carry out their responsibilities. Briefly this means that while employers would be entirely free to select and hire the employees of their choice, it is desirable that they should be legally required to notify the Employment Service of all vacancies, engagements and separations, and that unemployed persons desiring employment should be required to register at the employment offices. The Employment Office would thus be essentially a referral agency, not an agency of final selection of a person for a job.

Vocational Guidance

Valuable assistance in the choice of an occupation may be given by organized vocational guidance which would take into account employment trends and opportunities, the type of available job to which the individual is best suited, the physical requirements of jobs, and the amount of preparation and training necessary for their successful performance.

Farm Labour Programme

The Dominion-Provincial Farm Labour Programme has been developed to deal with manpower problems in agriculture and related industries arising out of serious wartime shortages of labour. From co-operation on a financial basis in the Province of Ontario in 1941, the programme has been broadened to include joint activities with all nine provinces in recruiting, transporting and placing workers on farms and in closely related industries.

Close co-ordination of federal and provincial agencies has been achieved through the Dominion-Provincial Farm Labour Committees in each province, and agreements have been signed with each provincial government providing for equal sharing of certain expenditures incurred. In view of the increased importance of food and the likelihood of farm labour shortages arising at least during the transition period, there is need for a continuation of the present close co-operation with regard to the Farm Labour Programme.

Placement of Physically Handicapped

Occupational Rehabilitation was originally developed for the benefit of the so-called "industrial cripple", and was designed to supplement the service rendered by Workmen's Compensation. The promoters of rehabilitation legislation have advocated the extension of the service to persons incur-

ing disabilities as the result of accidents other than industrial, and as the result of disease or from congenital causes. The vocational adjustment of persons with physical defects from a condition of dependence upon society to a status of independence may be regarded as the responsibility of society. The aim is not merely to place a disabled person into any kind of work, but into the most suitable work, that is, the most skilled work of which he is capable. All the jobs in any community do not require the full use of all the physical abilities of workers. There are many which persons with less than full physical capacity can perform with entire satisfaction to the employer.

Some provinces have already instituted plans for vocational rehabilitation in connection with their Workmen's Compensation Acts, and many national organizations and social welfare agencies and local groups have done excellent rehabilitation work.

It is proposed to consider making the Occupational Rehabilitation service available to all disabled persons regardless of the cause of disability. The suggestion offered is that a Dominion-Provincial plan will be the one best suited to Canadian conditions.

Many of the services are provincially and municipally administered. Since the Employment Service is concerned with placement into jobs, the administration of a rehabilitation scheme should be closely co-ordinated with that service.

Effective placement of the physically handicapped into occupations could best be accomplished by the inauguration of a national scheme of Occupational Rehabilitation available to all disabled persons whose physical rehabilitation is feasible of rendering the individual employable or more advantageously employed.

It is suggested for consideration that the costs of administration of the rehabilitation service be borne by the federal government, and the costs of rehabilitation of the individual be shared equally by the federal and provincial governments.

Vocational Training

The present legislative authority for co-operative vocational training between the Dominion and the provinces is contained in the Vocational Training Co-ordination Act passed in 1942. This Act superseded the Youth Training Act of 1939 and broadened very materially the scope and types of vocational training to be carried on. The Youth Training Act of 1939 had provided legislative authority for the Dominion-Provincial Youth Training programme inaugurated in 1937 as a relief measure to train unemployed young people under the Unemployment and Agricultural Assistance Act.

The Vocational Training Co-ordination Act set up an advisory council to advise the Minister on various types of vocational training, and included representatives of provincial Departments of Education.

Co-operative plans now in operation include—

- (a) training for war industries and tradesmen for the Armed Forces;
- (b) vocational training for ex-service personnel;
- (c) apprenticeship training;
- (d) other training.

Projects proposed for the postwar period are—

- (a) Retraining of Industrial Workers
An agreement lasting for three years has been drafted and approved by the provincial governments.
- (b) Dominion Assistance to Vocational Schools
P.C. 1648 of March 8, 1945, authorizes the Minister of Labour to enter into agreements lasting for ten years with any provincial government to provide Dominion assistance to vocational training on a level equivalent to secondary school level.

The Order in Council provides for—

- (i) a lump sum in the form of a Dominion grant not matched by the provincial government, of \$5,000 to P.E.I. and \$10,000 to each of the other provincial governments.
- (ii) allotting among the provincial governments an annual amount of \$1,915,000 for a period of ten years, this amount to be matched by each provincial government and allotted in accordance with the number of young people aged 15 to 19 in each province.
- (iii) allotting \$10,000,000 for capital expenditures on buildings and equipment for immediate expansion of vocational training facilities on the following conditions:—

That each provincial government match the Dominion contribution.

That the grant be used during the next three-year period.

That in the use of buildings or equipment acquired through this grant, rehabilitation training must have priority.

The agreement has been under discussion with the provincial governments and it is hoped that it will be generally acceptable to them.

FINANCIAL ARRANGEMENTS

Background of Proposals

The financial proposals, like the other proposals which have been presented, are directed to the achievement of high and stable employment and income, and the greater welfare of the Canadian people.

There is some danger that six years of feverish war activity may have dimmed our recollections of the financial and other problems which harassed this country before the war.

In the first place, according to the Royal Commission on Dominion-Provincial Relations, we had before the war a combined tax system which, as a whole, was highly regressive and, to an unusual degree, consisted of taxes on costs. It was, in the view of the Commission, a tax system which hampered enterprise and restricted income and employment. A tax system which could be so described would be completely incompatible with the policies to which the Dominion Government is committed and would rob those policies of any chance of success.

In the second place, the financial resources of provincial and municipal governments had proved quite inadequate for the burdens which the world depression had forced on them—burdens which were not created by the provincial governments and which were not under their control but which under existing Dominion-provincial arrangements, fell on them with great severity and with very unequal force. The improvised arrangements for grants-in-aid and inter-governmental loans had not provided any lasting financial solution. On the contrary, they merely postponed the reckoning and contributed to a deterioration in relations among the provincial governments and the Dominion.

In the third place, it is not too much to say that the whole federal structure of our country was undermined by the pre-war financial arrangements under which provincial governments were dependent for large proportions of their revenue on uncertain federal grants determined annually. The type of provincial government conceived by the Fathers of Confederation, independent in its own sphere of responsibility, was impossible under pre-war conditions. Effective co-operation among governments in meeting national problems was equally impossible.

Early in the war it became necessary to take financial measures on a much greater scale than any which we had previously experienced. Income tax rates had to be increased to very high levels and excess profits were taxed at 100 per cent. By

these and other taxation measures and by the encouragement of private savings the war budget was financed and the increases in national income were channelled to the purposes of war. The wartime tax agreements with the provincial governments were an integral and essential part of this financial programme. Under those agreements, the provincial governments were compensated for their taxes and the Dominion imposed uniform taxation in the fields of personal incomes and business profits. These agreements are serving an essential purpose, but they are wartime agreements, static and restrictive, and it is not proposed that they be extended beyond their termination date.

As the end of the war approaches, both the Dominion and the provincial governments face new conditions and new problems. After the war, Dominion Government annual expenditures attributable to two world wars and continuing national defence alone will amount to substantially more than double the expenditures of all the provincial governments combined. On the other hand, thanks to the buoyancy of wartime revenues and the decline in relief and similar expenditures, provincial governments have been able to make substantial reductions in their debts and the cost of debt service. For provincial governments the financial outlook is good, if they can be assured of stability and growth in their revenues and of no recurrence of heavy relief expenditures.

It has already been made clear that reversion to the conditions of 1939 and earlier years is not what the Dominion Government considers to be a satisfactory transition from war to peace. A relapse to pre-war conditions will not be considered tolerable by the vast majority of the people of this country. Canada will emerge from the war, with greater capabilities, broadened experience, and heavier responsibilities. She must go forward from her wartime achievements and not backward.

Equally in the field of financial arrangements, it is not the intention of the Dominion Government to consider a return to pre-war arrangements a practical or tolerable alternative. We propose to seek bolder solutions. Post-war financial arrangements among the ten governments concerned must be such as will meet fairly and effectively, in the interests of the Canadian people, the problems with which we are confronted.

Objectives of Dominion Proposals

It appears to the Dominion Government that these arrangements should meet four requirements if they are to be acceptable to the Canadian people.

First, they should make possible a reorganization

of the taxation system carefully designed to encourage rather than restrict enterprise, investment and employment. During the war, taxation has been built up to very high levels, levels justified in war but in peacetime incompatible with policies designed to promote the expansion of employment and income. In many of its features, the system of wartime taxation was purposely designed to discourage spending and discourage expansion of civilian industry and employment. Post-war taxation should be substantially reduced from wartime levels, but in addition, it should be so adjusted that necessary revenues are obtained with the least possible discouragement to investment and employment. Such adjustments cannot be successfully made by competing jurisdictions nor can the maximum reductions be accomplished.

A second requirement is that the Dominion should have the financial resources to finance, when necessary, substantial deficits with unquestionable credit. In carrying out its employment policy it will at times be necessary for large deficits to be incurred while at the same time expenditures are being increased or taxation reduced in order to aid employment. If it is to carry deficits at times when they are necessary for the maintenance of employment and income, the Dominion should be in a position to recapture in periods of high employment and vigorous business activity revenue from rising incomes and profits. The counterpart of this is that the provincial governments should be assured of more stable revenues.

The third requirement of post-war financial arrangements is that they should make possible at least an adequate minimum standard of services in all provinces while not denying to any province the advantages which its resources give to it nor the freedom to establish its own standards.

The fourth requirement is that the Dominion-provincial financial arrangements must be such as to strengthen, not weaken, the federal system established in our constitution. They must be such as will give to the provincial governments a dependable financial basis on which to operate and assure them of freedom to make the decisions for which they are responsible, independently of the Dominion.

The financial proposals which the Dominion Government makes must be assessed by these requirements and against the background of the other proposals in this brief—proposals which are aimed at carrying out within a federal system policies for the maintenance of a high and stable level of income and employment and which would have the effect of maintaining provincial government revenues, relieving provincial and municipal govern-

ments of the menace of heavy unemployment expenditures, and assisting them in the extension of their services and in the conservation and development of their resources.

The Dominion Tax Proposals

The Dominion Government proposes that after the war the provincial governments should by agreement forego the imposition of personal income taxes, corporation taxes and succession duties, leaving to the Dominion Government the full and exclusive access to these revenue sources. The Dominion Government further proposes that as a condition of such agreement the Dominion should substantially expand its present payments to the provincial governments under an arrangement which would ensure stable revenues and provide for their growth in proportion to increases in population and per capita national production. Although any provincial government would have the right to withdraw from the arrangement at any time since it is not proposed to seek a constitutional amendment, the Dominion proposes an agreement under which the provincial governments would commit themselves not to withdraw before an initial trial period of say three years.

These fundamental proposals are not lightly made. The continuing expenditures arising out of the war will be heavy. National progress and the fulfilment of necessary international commitments both require the Dominion Government to undertake a large programme of national development and national welfare. It will clearly need to make full use of its power to impose national taxes on personal incomes, corporations and estates. Its revenue needs will be so great that duplication of these taxes by other governments would seriously restrict enterprise and output and would jeopardize Canada's employment programme.

The organization of business and mobility of wealth are such that income earned or wealth accumulated from activities in one province may for taxation purposes be subject to the jurisdiction of another provincial government. Provinces in which corporation head offices and wealthy individuals are most numerous automatically enjoy an opportunity to tax incomes and wealth derived from other provinces. Provincial governments which do not have such opportunities, if they are dependent on income, corporation and estate taxes, will after the war, as before it, be limited to an unjustifiably low level of provincial services. Even to maintain minimum services they will be driven, as they were before the war, to high taxes on

incomes, corporations and estates by arbitrary and makeshift devices. All the tax-payers affected will suffer, and more than before the war because total taxation will be higher. Small producers and exporters will suffer particularly, as well as those with income or property in several provinces. National reconstruction will be hampered and frustrated.

✓ If the provincial governments revert after the war to a tax base which is unfairly divided, financial pressure on the less-favoured provinces will certainly give rise to increasing interference with inter-provincial trade. It may well lead to ill-advised extension of government ownership and operation of business merely to obtain necessary government revenues. Neither of these developments would strengthen Canada's federal system. They would operate to prevent private enterprise from playing its full and necessary part in post-war reconstruction.

Income and corporation taxes and succession duties are highly variable in their yield, and more so in any one province than over the Dominion as a whole. The provincial governments, having limited borrowing powers, would be forced to raise taxes when economic conditions were unfavourable, and when such action would hamper economic recovery. The Dominion, on the other hand, has a broader and less variable ability to borrow. It can manage much larger proportionate variations in revenue than any provincial government can. It can afford to budget its tax revenues for the period of the business cycle as a whole. In this way it can mitigate depressions and booms rather than aggravate them, as provincial governments would do if they were dependent on these highly variable tax sources.

All taxes affect the volume of spending, but income and corporation tax rates, and changes in these rates, also have a vital bearing upon the incentive to produce and to undertake capital expansion. It is therefore important that these taxes should be levied exclusively by the Dominion Government. It is the only government which, because it can budget for the whole business cycle, is able to set rates in such a way as to contribute to a high and stable level of employment.

Exclusive jurisdiction over taxes on incomes, corporations and estates is also necessary in order to protect Canadian interests abroad. With divided authority it is difficult to conclude reciprocal agreements with other countries which will prevent double taxation of Canadian incomes and estates.

There is one exception to the proposed exclusive jurisdiction which the Dominion Government feels should be made. This is in the case of taxes on profits from mining and logging operations. Mining royalties, Crown dues and other similar provincial charges are closely bound up with each provincial government's management of and expenditure on its forest and mineral resources. These charges are recognized costs of operation and as such can be deducted from taxable income for Dominion tax purposes. In general, however, levies of the royalty type, being based on volume of operations or gross rather than net income, discriminate against the weakest firms and prevent full exploitation of the least profitable resources. In some cases, therefore, provincial governments have chosen to levy instead on the basis of a net profits tax. Under the proposed agreement the Dominion Government would recognize such taxes as being the equivalent of royalties, etc. and as in the case of the wartime tax agreements, there would be no restriction upon the right of provincial governments so to tax profits from mining and logging operations. In addition, the Dominion Government would be willing to concede the provincial governments priority in this field, by treating such taxes as a cost for Dominion tax purposes, on a par with levies of the royalty type.

Proposed Payments to Provincial Governments

Although provincial budgets will receive substantial benefit from implementation of the Dominion's proposals in regard to unemployment assistance and old age pensions, and from its full employment programme generally, the provincial governments clearly cannot cease to levy succession duties and continue to forego income and corporation taxes after the war unless assured of an adequate alternative revenue source. The Dominion Government therefore proposes, in lieu of present statutory subsidies and payments under the wartime tax agreements, and conditional upon provincial acceptance of its tax proposals, to pay each provincial government the sum of \$12 per capita annually, increased or decreased in proportion to the value of Gross National Production per capita as compared with that of 1941. This proposed annual payment would however be subject to an irreducible minimum equal to \$12 per capita of 1941 population.

The application of the proposal is illustrated below.

PROPOSED PAYMENTS TO PROVINCIAL GOVERNMENTS

(Millions of Dollars)

	Irreducible Minimum Payments (Based on 1941 Gross National Production of approximately \$8 billion or \$700 per capita)	What Payments Would Have Been in 1944 (Assuming Gross National Production of approximately \$12 billion or \$1,000 per capita)	What Payments Would Be in 1948 if Gross National Production were:—	
			\$12½ billion or approximately \$1,000 per capita	\$10 billion or approximately \$800 per capita
	(1)	(2)	(3)	(4)
Prince Edward Island.....	1.14	1.57	1.65	1.32
Nova Scotia.....	6.9	10.6	11.0	8.8
New Brunswick.....	5.5	8.0	8.5	6.8
Quebec.....	40.0	60.5	63.9	51.1
Ontario.....	45.5	68.6	70.3	56.3
Manitoba.....	8.8	12.7	13.2	10.6
Saskatchewan.....	10.8	14.6	15.5	12.4
Alberta.....	9.6	14.1	14.9	11.9
British Columbia.....	9.8	16.1	16.4	13.1
Total.....	138.0	206.8	215.4	172.3

¹ Total population in 1941 was 11,490,000.

² Total population in 1944 was 11,958,000.

³ Total population in 1948 is estimated at 12,406,000.

The table shows that the irreducible minimum of payments would amount to \$138 million per year, as compared with the present high level of receipts from the Dominion Government and from succession duties of \$125 million. But this is the irreducible minimum only. If the proposed agreement had been in operation in 1944, with increased population and national production per capita, the provincial governments would have received \$207 million from the Dominion. If production per capita in 1948 is the same as in 1944, the provincial governments would receive \$215 million in that year. If per capita production were \$800 instead of \$1,000, the provincial governments would receive \$172 million. If 1948 were a very poor year the provincial governments would be assured, no matter how bad conditions were, of a guaranteed minimum of \$138 million from the Dominion.

The Resulting Position

These financial proposals, taken in conjunction with the other proposals which have been made by the Dominion Government, meet the objectives which we have set forth.

Exclusive access (except for taxes on logging and mining profits) to the fields of personal income and corporation taxes and succession duties would give to the Dominion Government the power and the responsibility to impose and administer these taxes in such ways and at such levels as would be most conducive to enterprise and employment. Competitive occupation of these fields cannot but result in restrictive, inefficient and double taxation.

Exclusive use of these taxes, in conjunction with the proposed unconditional payments to the provincial governments and the other proposals in this brief, would impose on the Dominion the major responsibility for deficit financing when in the interests of employment it is necessary to incur deficits.

These financial proposals would guarantee all provincial governments sufficient revenue to discharge their basic constitutional responsibilities. Implementation would not enable all provinces to bring their services up to the standard of the two or three highest. Provincial tax sources will continue to be less productive in some provinces than in others. However, a substantial part of each provincial government's revenue would, under the

proposed agreement, be set on a simple and fair per capita basis. This would ensure an adequate minimum of services in every province and would make it possible to avoid abnormally high taxes in any.

The full implementation of these proposals would improve the financial position of provincial governments in five ways:

- (1) The Dominion's assumption of responsibility for unemployment assistance would relieve provincial and municipal governments of a potential burden which in the past has constituted the most important single threat to real provincial autonomy. It has been a burden which grew in weight as provincial ability to carry it declined. In the past it has necessitated harsh reductions in essential services, harsh tax increases, and in the majority of cases also dependence on special grants or loans from the Dominion. The employment and national development and welfare policies which the Dominion proposes to adopt are designed to prevent recurrence of the kind of situation which existed in the thirties. However, external depressions may develop whose effect upon Canadian employment and income cannot be entirely offset by domestic policies. No matter how unfavourable conditions abroad might become, under the Dominion's proposals the provincial governments would still be protected from the relief burden which has threatened their solvency and autonomy in the past.
- (2) The Dominion's assumption of complete responsibility for old age pensions from age 70 would relieve the provincial governments of an expenditure which has been growing and which will continue to increase rapidly in the future as the proportion of old people in the population rises. On the other hand, provinces which wish to extend assistance to people between 65 and 70 who need it would be able to do so in co-operation with the Dominion without increasing their present old age expenditure.
- (3) The Dominion's proposal with respect to the taxation of mining and logging profits would give priority to provincial governments in this important revenue field.
- (4) The proposed financial transfers to the provincial governments would set a high absolute floor under a substantial part of each provincial government's revenue. They would also guarantee expansion of this substantial

revenue item in proportion to the increase in each province's population and the increase in the value of per capita national production from the 1941 level.

- (5) Dominion policies for high and stable employment and national development and welfare would increase and stabilize incomes in each province and consequently provincial government revenue from sources other than the guaranteed financial transfers.

The net result of all these assisting factors would be to assure each provincial government of a surplus, in some cases a large surplus, on current account under average post-war conditions. Under prosperous conditions the surpluses would become very substantial indeed and would make it possible to pay off debt on a large scale. On the other hand, the provincial governments would be protected against any major deterioration when business was below normal.

The provincial governments for which large surpluses are indicated even under average conditions are those in which present provincial (together with municipal) taxes are abnormally high, or in which the present standard of provincial (together with municipal) services is abnormally low. Such provinces would have the choice of

- (a) raising their standards of education and other provincial services,
- (b) lowering their tax rates,
- (c) retaining present tax rates in lieu of contributions required to finance the provincial share of such health insurance benefits as they might wish to undertake in co-operation with the Dominion.

To sum up, it is the belief of the Dominion Government that the proposed financial arrangements, in conjunction with the other measures recommended, would strengthen the federal system under which all ten governments here represented function. They would give to each government an assured basis of financial responsibility and freedom of decision in the matters entrusted to it by the constitution.

CONCLUSION

In April of this year, the Minister of Reconstruction, on behalf of the Government, laid before Parliament a White Paper on Employment and Income. In that paper the Government stated its adoption of the maintenance of a high level of employment and income as a primary object of policy. Certain reconstruction measures which had already been put into effect and policies which would be put into

effect for Stage 2 of the war were set out concretely. Other policies for the post-war period, particularly in the fields of public investment and social security, were sketched in broad outline only. To the full implementation of these, mutually satisfactory financial and administrative arrangements with the provinces were stated to be a necessary prelude.

In this submission to the Conference the Dominion Government has stated concretely what these policies for the post-war period are and the financial and administrative arrangements with the provinces which it would consider to be satisfactory. What has been set out in this brief is a second and important part of the Dominion Government's reconstruction programme.

Specific proposals may be modified in the light of the discussions which take place, or may have to be modified if agreement on other proposals proves to be impossible.

Broadly what is proposed is that the Dominion Government should take the initiative in the maintenance of employment and income, (1) by achieving the best possible agreements with other United Nations in the field of economic relations, agreements which would encourage and permit the expansion of world trade and full use of our resources; (2) by pursuing fiscal and other policies which will create "favourable conditions within which the initiative, experience and resourcefulness of private business can contribute to the expansion of business and employment"; (3) by so managing its public investment expenditures and making it financially advantageous to provincial and municipal governments so to manage theirs, that they will contribute to the stability and not to the instability of employment; further, to direct those expenditures particularly to the development and conservation of our natural resources, improving thereby the opportunities of the Canadian people and the financial position of the provincial governments who administer

them; (4) by maintaining and stabilizing by a comprehensive system of social security, incomes which are largely spent on consumption and by contributing thereby to the health, welfare and productive capacity of the Canadian people and to their employment.

To do these things fully and without destroying the federal system, the Dominion Government considers that it should have full and exclusive freedom to tax personal and corporate income and estates so that the restrictive effects of double and competitive taxation may be avoided and so that income earned and wealth accumulated nationally can be fully and efficiently taxed for national purposes and the mutual advantage of all provinces.

This programme the Dominion Government conceives to be a truly national policy compatible with and conducive to the full and healthy development of a federal state. Within it the Dominion Government can exercise its constitutional powers more fully and effectively for the national welfare. Within it provincial governments can exercise their constitutional powers more fully and more independently than under pre-war arrangements. These proposals are neither revolutionary nor disruptive; they are built on our best judgment to-day of the experience of the past, but they involve no irrevocable commitments for the future: they ask only for a genuine trial. They are directed to the practical solution of national and federal problems which are the vital concern of all.

The Dominion Government asks careful and mature consideration of these proposals, which it is anxious to discuss fully and freely with the provincial governments. It asks that they be considered in the light of the responsibilities which each Government has to the people. Let no other advantage be considered than the advantage of the people of Canada.

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